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A Dawn of a New Era
In Print Media

ANNUAL
REPORT
2000 PT I

Quebecor World

THE GLOBAL LEADER IN SERVICING
A GROWING DEMAND FOR PRINT

Repainting the sign at Quebecor World's North American Head Office in Greenwich, Connecticut. From left to right: Ruth Cruz, Nathan Hicks, Maria Mattera, John O'Connor, Fred Brea, True Nichols, Susan Boeri, Joel Anyan.

A Corporate Culture
Like No Other

Over the past year there have been many changes at Quebecor World. A new company, a new name, even a new logo. But one thing remains intact: the Quebecor culture—a culture that promotes a strong entrepreneurial spirit, focuses on teamwork, and encourages and supports personal growth and development.

The new logo is a case in point; the logo clearly reflects the coming together of two equals and represents the best of both worlds, taking the world of opportunity in World Color Press and underpinning it with the forward movement of Quebecor Printing. Neither is lost nor overpowered as the two cultures blend together to form one stronger unit.

WORLD COLOR

Quebecor World

QUEBECOR PRINTING INC.

It is this spirit that places emphasis on our strongest assets—our people—that makes Quebecor World the leader it is.

Quebecor World Inc.

Quebecor World Inc. (NYSE, TSE: IQW) is the largest commercial print media services company in the world. The Company is a leader in most of its major product categories, which include magazines, inserts and circulars, books, catalogs, specialty printing and direct mail, directories, digital pre-media, logistics, mail list technologies, and other value-added services. The Company has over 43,000 employees working in more than 160 printing and related facilities in the United States, Canada, Brazil, France, the United Kingdom, Spain, Switzerland, Austria, Sweden, Finland, Chile, Argentina, Peru, Colombia, Mexico, and India.

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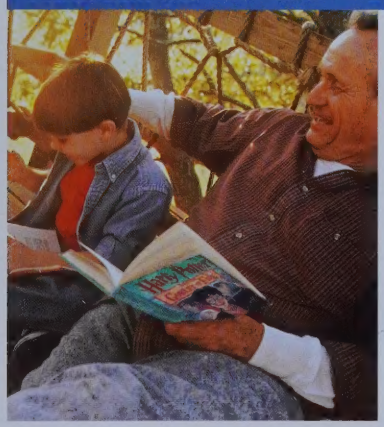
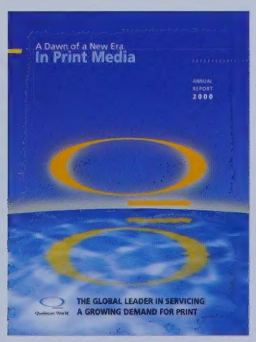


"Over the next decade, people will be spending more money on printed materials than they have in the past."

"We will continue to be the leading global consolidator in our industry."



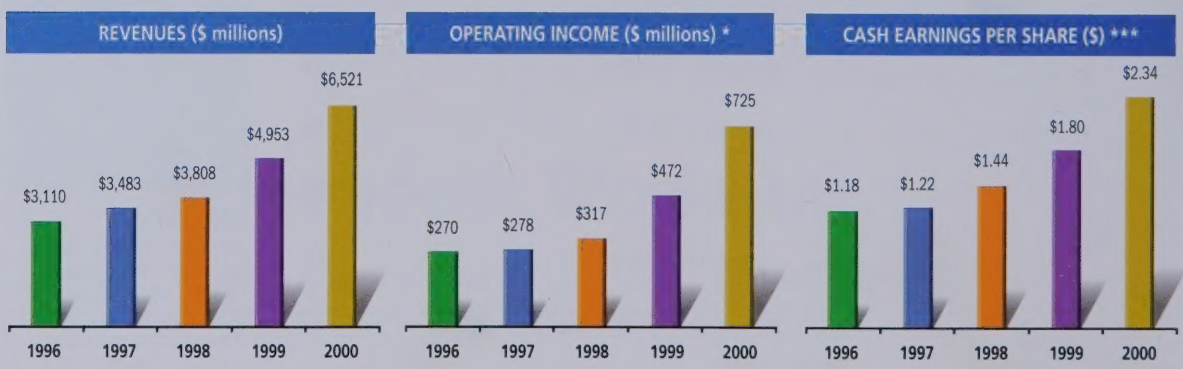
OUR COVER:

The stylized Quebecor World logo represents the rising sun heralding a dawn of a new era of opportunity in print media. The dominance of the logo shows the Company's role as the global leader, positioning itself to grow its margins as it continues to be the major consolidator in the industry.

Financial Highlights

(In thousands of US dollars, except per share amounts)	2000	% growth	1999	% growth	1998
Results of Operations					
Revenues	$ 6,521,077	32	$ 4,952,537	30	$ 3,808,155
Operating income before amortization *	1,069,882	41	758,461	40	540,855
Operating income *	724,803	53	472,469	49	317,066
Net income	295,431		77,465		159,650
Cash provided from operating activities	917,801	29	710,142	72	413,915
Free cash flow from operations **	747,294	35	552,613	343	124,840
Operating margin before amortization *	16.4 %		15.3 %		14.2 %
Operating margin *	11.1 %		9.5 %		8.3 %
Investments					
Business acquisitions	$ 5,344		$ 923,250		$ 260,208
Additions to property, plant, and equipment	242,185		194,708		312,123
Financial Position					
Working capital	$ (66,535)		$ 72,534		$ 248,332
Total assets	6,484,660		6,873,128		3,906,281
Long-term debt (including convertible notes)	2,208,702		2,839,923		1,250,200
Shareholders' equity	2,473,880		2,318,432		1,563,518
Debt-to-capitalization	47:53		55:45		44:56
Per Share Data					
Cash earnings ***	$ 2.34	30	$ 1.80	25	$ 1.44
Net income	$ 1.94		$ 0.54		$ 1.29
Dividends	$ 0.33	18	$ 0.28	17	$ 0.24
Book value	$ 15.47	8	$ 14.26	22	$ 11.67

Note: All dollar figures are in U.S. dollars unless otherwise indicated.



* Before restructuring and other charges.

** Cash provided from operating activities, less capital expenditures net of proceeds from disposals, and preferred share dividends.

*** Earnings per share before goodwill amortization and restructuring and other charges.

Message to Shareholders

Delivering on Our Commitments

Quebecor World's first full year of operations since the "merger of equals" between Quebecor Printing and World Color exceeded our most ambitious expectations. The Company's operating margin reached a record high of 11.1 percent for the year—surpassing our stated objective of obtaining double-digit operating margins. Before restructuring and other charges, revenues increased by 32 percent to $6.5 billion; operating income increased by 53 percent to $724.8 million; and net income increased by 43 percent to $293.4 million, or $1.93 per share.

That we were able to achieve these results, while undertaking what is, without doubt, the largest equipment restructuring in the history of the commercial printing industry, is a credit to our employees, including management, sales representatives, plant employees, and support staff. Our employees underwent a strenuous year as we merged some plants, eliminated others, and rationalized our equipment platform while still maintaining and, in many cases, increasing production. Thank you for working so tirelessly to meet critical deadlines and satisfy customer requirements. And thank you to our customers for your loyalty and continued support during this critical time.

We are now in a better position to serve our customers, with larger, more specialized plants geographically located to optimize efficiencies of distribution. We are also in a better position to serve our customers from a management perspective. One of the most important elements in our success in this last year was our ability to merge the cultures of the two companies. We were able to pick the best business practices and the best people regardless of which company they came from. The result is that the new entity, Quebecor World, has the best team in the industry. It is a team that is committed to the industry and gives us a solid foundation on which to build for the future.

At the end of the year, the integration of World Color was approximately 80 percent complete—well ahead of schedule. Our run rate, in terms of annualized cost savings, had reached $60 million. We have, therefore, already surpassed our initial target of $50 million in cost synergies and are comfortably on track to obtaining the revised target level of $110 million in cost synergies by 2002.

RESULTS FOR 2000
(In millions of US dollars, except per share amounts)

	2000*	Change %	1999*
Revenues	6,521.1	32	4,952.5
Operating income	724.8	53	472.5
Net income	293.4	43	204.5
Earnings per share	1.93	25	1.55
Free cash flow from operations	747.3	35	552.6

* Before restructuring and other charges.

Quebecor World is now the largest and strongest performing entity in its field.

In addition to record revenues and earnings, the Company also delivered on its commitment to restore its balance sheet. At the end of 2000, our debt-to-capitalization ratio was 47:53. Within 18 months of the acquisition of World Color Press, we had repaid most of the bank debt associated with this $2.7 billion acquisition. These achievements are a reflection of management's commitment to deliver on its promises, as well as the Company's impressive cash flow generating capabilities. And we were able to accomplish this despite weaker currencies in Europe and significant increases in energy costs.

Although Quebecor World is now the largest and strongest entity in its field, it is clear that our journey has only just begun. In the following pages, you will be presented with a mere sampling of what we see is available to the Company in terms of growth opportunities and how we can run our business even better.

Jean Neveu,
Chairman of the Board

Charles G. Cavell,
President and Chief Executive Officer

Our Vision

The Journey Has Only Just Begun

Once upon a time, we had a vision. This vision had two fundamental targets: to become the largest print media company in the world and to obtain double-digit operating margins, which, we believe, has never been realized in the industry on a sustained basis other than by a niche player.

This is truly the dawning of a new era. The Internet is creating a new demand for print media.

With the World Color merger now behind us and most of the integration process complete, this vision is now a reality. Quebecor World is not only the largest commercial print media company in the world, it is also the most profitable. We have not only achieved our objectives, we are now seeing that the bar we had set for ourselves was, in fact, very low relative to what we now believe we can do.

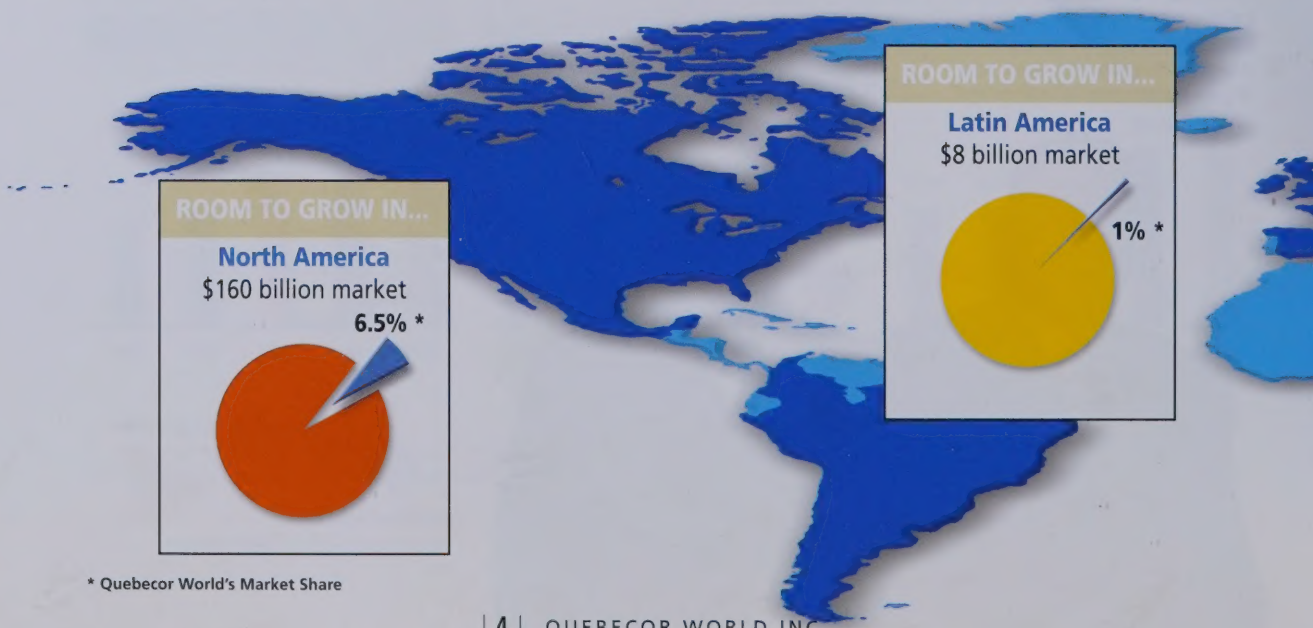
The synergies available to Quebecor World as a result of its size, its management team, its geographic and product diversity, and the opportunities presented by new technology are like none we have ever seen before. We are beginning to think that it will take until the time of our children's children to realize the full scope of the opportunities available to us at this time. The opportunities presented by the Internet and new technologies are creating a whole new world for print.

This is truly the dawning of a new era. The Internet is creating a new demand for print media.

New technologies are allowing us to improve efficiencies. We have already created a global e-procurement system for paper and ink, and we are in the process of developing a virtual paper warehouse that will allow us to sharply reduce inventory costs. All of these savings directly contribute to the bottom line.

OUR STRENGTH IS OUR PEOPLE

Perhaps the most promising indicator of the Company's future is the quality of our people. Quebecor World is now the employer of choice in the industry—in all the geographies in which we operate. It is not only our success that draws people, but also our entrepreneurial environment. Our corporate culture encourages managers and employees to take on significant responsibility and accountability, allowing them to see the fruits of their efforts and be rewarded justly for them. This is an environment that attracts the most capable people and leaders—whether they



* Quebecor World's Market Share

Charles G. Cavell,
President and Chief
Executive Officer

are working on the plant floor or running one of our operations.

Another important indicator of our future is that we have succeeded in devolving the operational management of our Company. Important decision-making power is in the hands of our geographic presidents. They can react swiftly to changing market conditions in their unique environments. Marc Reisch, former president of World Color, is accountable for all of our North American operations. Reporting to him is what we consider to be the strongest team of group presidents in the industry. Each one of them is fully accountable for his product group. In Europe, we have put in place a whole new team headed by John Bertuccini, who has demonstrated his management capabilities within our Canadian operations. And in Latin America, Guy Trahan's dynamic leadership is building a platform that is positioning us to take advantage of a market of the future. In a show of confidence in the Company's and Guy's strategy for our development in Latin America, we have added significant management resources to his team—one that we are confident will soon make Quebecor World the number one printer in Latin America.

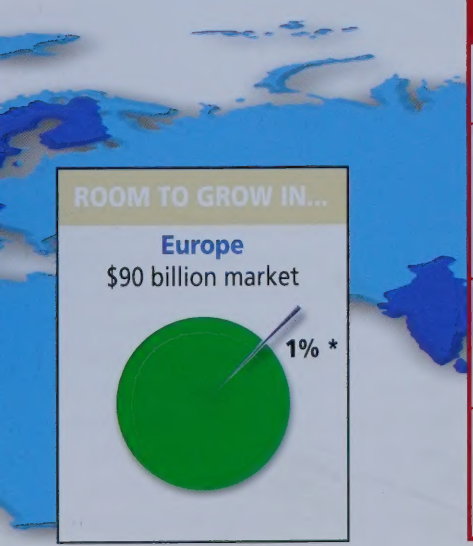
Now that the Company integration is nearing completion, the question is: "What's next for Quebecor World?"

POISED TO GROW AGAIN

Now that the Company integration is nearing completion, the question is: "What's next for Quebecor World?" With over $500 million in free cash flow expected in 2001, a strong balance sheet, superb human resources, and the leading market position, the possibilities are endless.

In a recent strategic planning meeting, each of the group presidents presented a list of strategic opportunities for his business group. The list includes potential acquisitions as well as opportunities to invest in internal growth and improve productivity. The list is long. It has priorities, and what is most encouraging is that most of the acquisition opportunities would be accretive to earnings.

So, what should we do? We could use our free cash flow to further pay down debt, but with a conservative balance sheet and relatively low cost of capital that may not be in the best interests of shareholders.



Potential growth strategies

Strategy	Assumptions
Internal	Organic growth would be in line with GDP growth. We would make no acquisitions and focus on efficiencies and improve margins. We would also devote significant resources to debt repayment and repurchasing of shares to improve shareholder returns.
Niche Acquisitions	There are numerous opportunities that could be funded internally. These acquisitions would strengthen our existing market franchises and expand our geographic footprint. There would be moderate top-line growth.
Strategic Acquisitions	There are options that exist in all of our current geographies. The timing would be driven, in large part, by the availability of the properties. Growth rates would continue at historic levels.

Another option is to continue to buy back shares in order to improve returns to shareholders.

We could make niche acquisitions in certain market segments. There are opportunities in all the continents where we currently operate.

Or, we can make a major strategic investment in the industry, an industry still ripe with consolidation opportunities given that we, the leader, represent less than 10 percent of the available market in the United States and in most markets less than 5 percent.

Our focus right now is to determine the optimal mix of these options that would be in the best interests of our shareholders, our customers, and the long-term development of the Company itself.

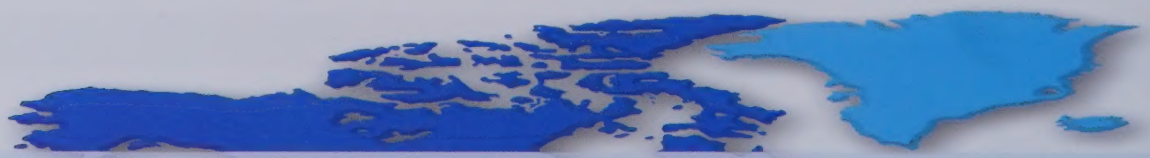
As we move forward, we will continue to be the major consolidator in North America. We also see exciting opportunities to grow in Europe and Latin America. We plan to become the first truly "continental" printer in Europe by expanding from our already well-developed base. And in Latin America, we will look at key niche acquisitions in a market we believe has tremendous potential. We have also barely begun to explore the possibilities in Asia. As our North American and European customers expand into the Far East, it only seems prudent to explore if we can expand along with them. We will also be looking at expanding into new product areas, where we can use our knowledge of the industry and our business expertise to develop new product lines.

Quebecor World has delivered double-digit compound annual growth on both the top line and the bottom line. Those 12 years represented boom times and some pretty tough times.

HERE TO STAY

Print media is fundamental to any and every economy, as is the telephone. Print is as essential to the transacting of business, whether it be business to business or business to consumer, it doesn't matter. Print is not going to go away.

The worldwide web is simply another way of doing business. For us, it offers a means to improve our internal efficiency, supply chain management, and communications with customers and



THE BENEFITS OF BEING GLOBAL

Quebecor World is the only truly global printer. We have the best geographic diversity in the industry. But what is the value to the Company and to its customers? There are many. As trade barriers continue to fall, borders are beginning to exist only in people's minds. Companies are extending their reach beyond traditional boundaries and markets. By building on existing relationships, we can help customers expand and grow our respective businesses: a win-win situation.

In 2000, customers that buy from us on more than one continent represented more than $500 million worth of business. Avon, Costco, Nortel, Forbes, and Office Depot are just a few of our North American customers that also do business with us in Europe. We also print for several European companies in either North America or Latin America, such as IKEA, Air France, Carrefour, and Brylane/LaRedoute.

As these companies expand, we are expanding

employees. For a large number of clients, the Internet is simply a new channel for selling their goods. Whether they are seeking to draw people into their stores or attract them to an e-commerce website, they're still going to advertise. Print is the medium of choice. For the pure e-tailers and e-catalogers, the only sure way to develop a franchise on the worldwide web is through advertising. And the most cost-effective way for them to seek out buyers is through targeted advertising such as direct mail and magazine advertising.

What does this mean for Quebecor World? It means that the demand for our products is higher than it has ever been before—thank you, thank you, thank you worldwide web. And this isn't simply a spike in demand. There will forever be a need for clients to build their customer franchises.

MARKET OUTLOOK

Our major publishing clients continue to have a high degree of confidence in their outlook. At some point, of course, there will be a slowdown in advertising spending, whether it's this year or next. We are favorably disposed partly because we have aligned ourselves with major players, such as Time Inc., which are less exposed to advertising spending declines. That's always been our strategy: to serve the leaders in all our business categories.

Of course, it's always easier when the economy is strong. Even a poorly run business can probably do well. But if you go back for 12 years, Quebecor World has delivered double-digit compound annual growth on both the top line and the bottom line. Those 12 years represented boom times and some pretty tough times. Because we are larger and more efficient than anyone in the industry, I believe we can always be full and we can always be profitable.

The Company has an extraordinary ability to generate free cash flow and to deploy that "richesse" to the advantage of shareholders.

Yes, this Company's voyage has only just begun. Or, in other words, you haven't seen anything yet. Quebecor World has an extraordinary ability to generate free cash flow and deploy that "richesse" to the advantage of shareholders. We truly believe that this is the dawn of a new era in print and the possibilities stretch as far as the horizon. What a wonderful place to be!

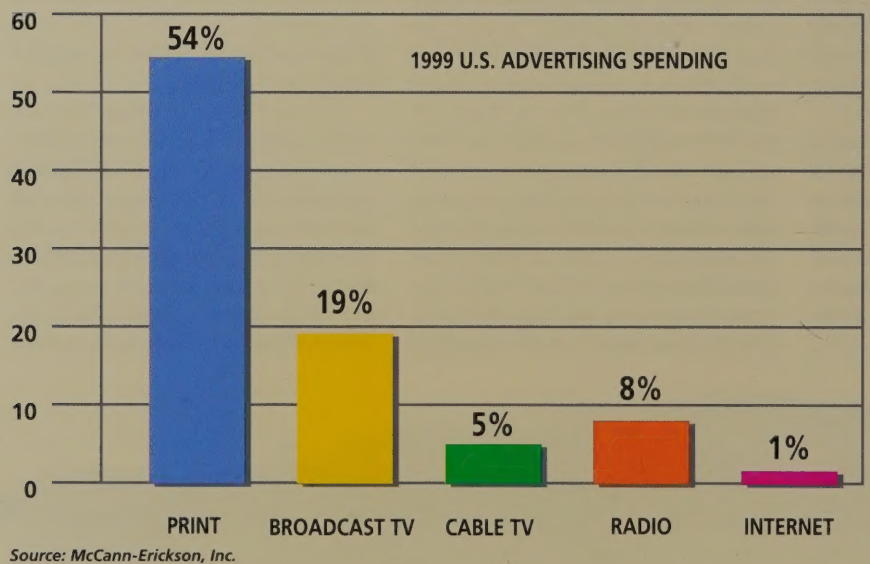
with them. In 2001, we are building a new facility to print magazines and directories in Recife, Brazil. In large part this is possible as we expand on our relationship with South American publisher Editora Abril S.A. and by a directory contract with Listel, Brazil's largest directory publisher, owned by BellSouth Corporation in the United States.

We believe our global footprint positions us for the future. In addition to allowing us to better serve customers, our geographic diversity makes us less dependent on any single economy. After all, even though countries are becoming more interdependent than ever, not all economies are booming all the time. Few printing companies can offer this competitive advantage and few companies in the industry have demonstrated that they have the corporate culture and approach to be successful in foreign countries. Quebecor World is the one company in the industry that has this capability.

Print: Still the Cornerstone of Communications

Here are two statistics that will probably surprise you. In the United States, advertisers spend more money on print than the combined total that they spend on broadcast television, cable television, radio, and the Internet. In just one segment of print, direct mail, advertisers spent more of their promotional dollars in 1999 than they did on local and national broadcast television.[1] And the total dollars spent on print advertising is forecasted to continue to grow.

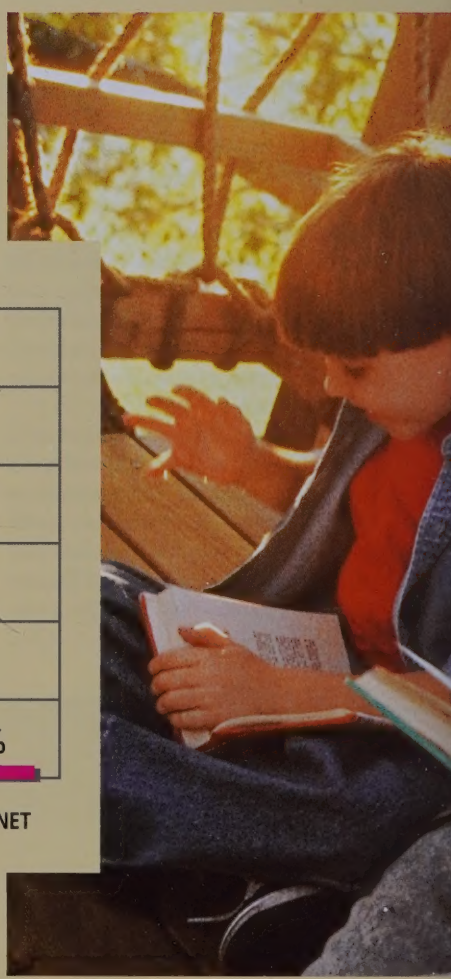
Print media is clearly still the cornerstone of communications. As new technologies emerge and advertisers' needs change, print is changing, too. New technologies don't always replace what was there before, but they do spur change. Television didn't replace radio or movies or magazines. They adjusted and reinvented themselves. In the age of 24-hour news cycles, *Time* magazine can't be a source of "breaking news" so it focuses on providing context, analysis, opinion, and in-depth features. It continues to be the world's most successful "news magazine" because it adapts. That's what is happening to print with the advent of the Internet.



Source: McCann-Erickson, Inc.

The value, flexibility, and targetability of print make it the number one media for advertisers.

In fact, the Internet is creating a whole new demand for print, especially in certain sectors, such as magazines, catalogs, and direct mail—sectors where Quebecor World is the leader in the industry.



Print materials are the number one choice of all advertisers and are the best vehicle for driving traffic to e-commerce sites. Print is also the choice of advertis-

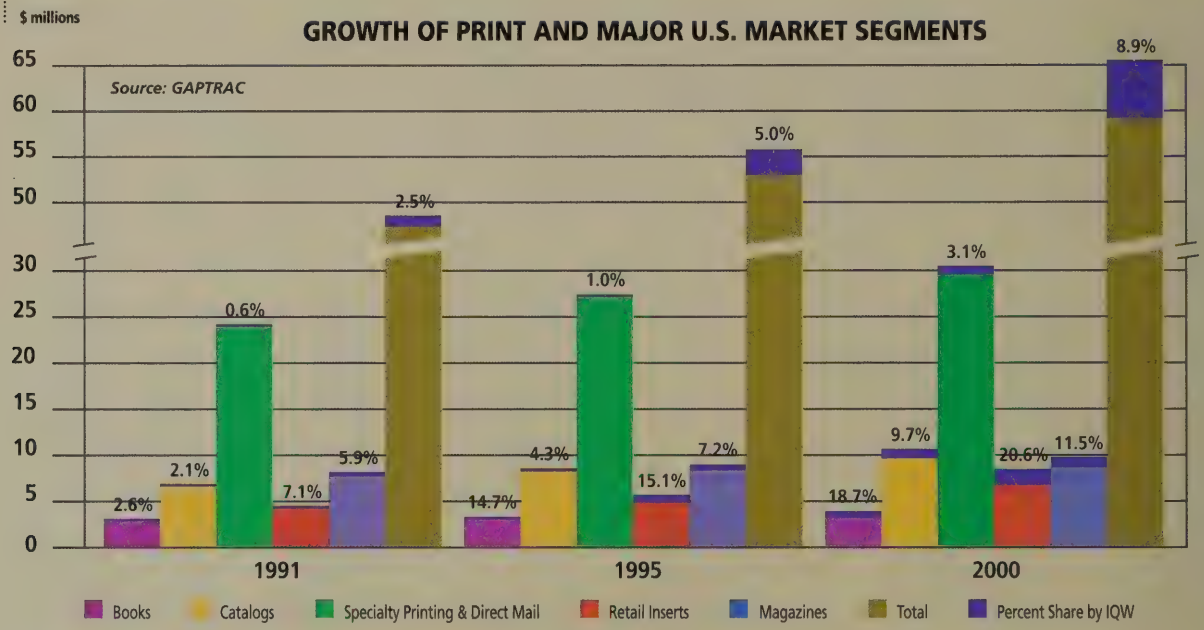
Quebecor World is the market leader in all of the print sectors offering above-average long-term growth rates

ers for building brand recognition, establishing credibility with shoppers not yet comfortable giving out their credit card numbers online, and provides higher quality images than are possible with a website—a feature particularly important for luxury goods.

A new favorite form of advertising for dot.coms is the catalog. Many companies are abandoning expensive TV campaigns in favor of the catalog. In its November 30, 2000 edition, THE WALL STREET JOURNAL™ ran an article entitled **"New Page in E-Tailing: Catalogs."** ***The article summed up the market this way: "The trend toward cataloging is moving so quickly that no one's quite sure how many e-tailers are producing print materials at this point. The offerings range from leaflet-style booklets filled with luxury merchandise (Amazon.com) to expensive high-grade books with an artistic bent (Luxury.com)." During the 2000 holiday season many more e-tailers dropped expensive TV campaigns and spent their advertising dollars on print.***

Over the next decade, people will be spending more money on printed materials than they have in the past. Reading as a leisure activity is on the rise and shows no sign of slowing down in the next 10 years.

Even companies providing the equipment connecting people to the Internet are using print to advertise. Four of the top 10 U.S. catalogers are computer retailers. And the Internet is spawning a whole new series of publications. Magazines such as *PC World*, *Business 2.0*, and *Wired* are now published twice monthly. This is becoming the largest section on the newsstands because it is a subject that is gender-neutral and interests people of all ages.



This chart shows the continual growth of print and Quebecor World's increasing share of the major print market segments in the U.S.

Print materials are the number one choice of all advertisers and the best vehicle for driving traffic to e-commerce sites.

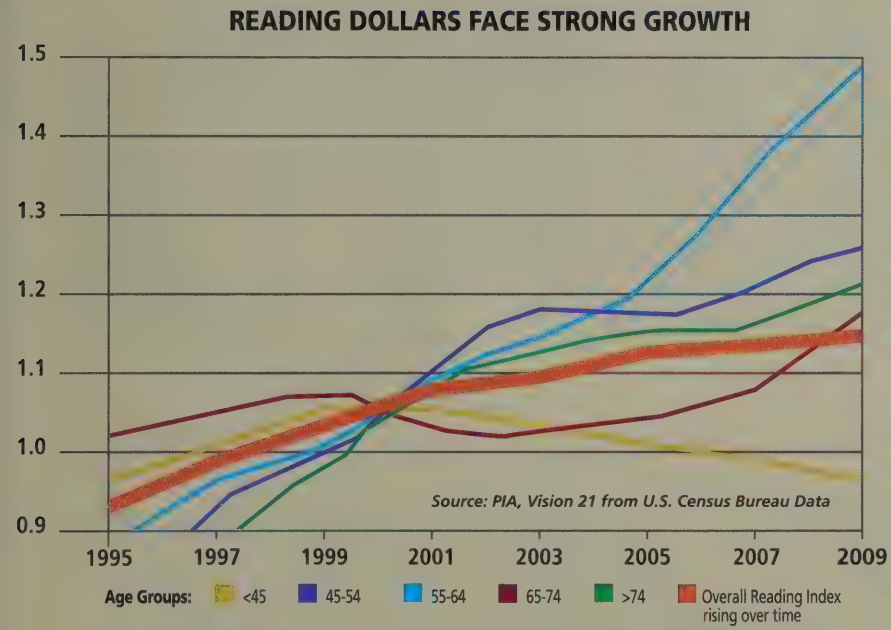
Print itself is adjusting by giving advertisers what they want in this age of specialization: quick, cost-effective, and targeted advertising. With new bindery and logistics technologies, printers can target customers so that neighbors on the same street can get different versions of advertising material depending on their buying habits. This degree of targeting is unattainable by broadcast or cable TV or radio.

The total print market in the United States of $155 billion had an estimated growth of more than $5 billion in 2000.[2] And for commercial printers like Quebecor World, the numbers are even stronger if you remove newspapers, which represent 25 percent of the total print market. In the areas where Quebecor World has concentrated its efforts and is the industry leader, the print growth numbers are even more impressive. And Quebecor World has purposely chosen to do business in those sectors at the expense of others. For example, we elected to exit the personal check business and the printing of bank notes because we did not see long-term growth potential. However, in our areas of concentration, we are very confident in the future and the forecasters back us up. The five-year forecast for magazine printing is 1.5 times the industry average; inserts, 2.8 times higher; and catalogs, 1.8 times the industry average.

There are more people, higher literacy rates, and a greater quest for information than ever before. And print is the medium

The print market is growing and Quebecor World's share is growing too.

Print gives advertisers a degree of targeting they don't get anywhere else



The chart above shows we can expect a greater demand for reading materials because of the rising demand from the 45 to 64 age group.

of choice for obtaining information on products and services, special interest topics, and entertainment and for educational purposes. Only in the news category

***The Wall Street Journal* headline, Nov. 30, 2000: "New Page in E-Tailing: Catalogs".... Print.**

does electronic media beat out print.[3] Print material is far more portable than electronic media; you can write on it; it is tangible; and it is something with which people are most familiar and comfortable. According to the October 2000 Printing Industry Association report *Vision 21*, the net effect will be a growing demand for reading material over the next decade.

The outlook for the print industry has never been brighter. The electronic age is creating new opportunity in many print sectors. And the winners will be the market players who have the flexibility, foresight, and financial and human resources to focus on the higher-growth segments and also utilize the new technologies to improve business processes. These are precisely the strengths that have brought Quebecor World to the forefront and will continue to serve us well as we move forward.

1. Source: McCann-Erickson, Inc.
2. Source: PIA *Vision 21* study
3. Source: GAMIS

Print: The People's Choice.

If you would like more information on the health of print, log onto our website at **<www.quebecorworld.com>**. We have prepared a brochure that provides a global overview of the current and future state of media, including print, television, radio, and the Internet.

Review of Products

MAGAZINES

Market Strengths

- The world's leading printer of consumer magazines
- Annual output of more than 1,000 titles and two billion copies
- Operates a global print platform with operations in the U.S., Canada, Europe, and Latin America
- Prints 46 percent of the top 125 magazines in the U.S.
- Produces magazines for all of the top five U.S. publishers
- Plant specialization makes us the most efficient and cost-effective magazine printer
- Customers have access to the most extensive offset and gravure network in the U.S., as well as geographic and demographic versioning, digital asset management, and logistics-based delivery and mailing systems
- Ability to enter new markets demonstrated most recently in Latin America with a 10-year contract valued at $170 million to print magazines for Brazil's largest publisher

CATALOGS

Market Strengths

- The largest, most diverse catalog platform in North America provides customers with unmatched flexibility
- In the U.S. alone, we print 27 million catalogs a day in the Magazine/Catalog Group's 14 plants
- Fourteen of our largest 20 accounts rank among the top 100 catalogers in the U.S.
- World-class bindery technology gives customers the ability to create a multitude of personalized versions
- Our global network allows us to offer customers one-stop shopping for all of their catalog needs in North America, Europe, and Latin America. For example, we print catalogs for Office Depot in North America and Europe, while Avon is a customer in North America and Latin America

DIRECTORIES

Market Strengths

- Wide geographic network of seven facilities in North America provides regional print solutions to customers
- All U.S. plants have computer-to-plate capabilities
- Several U.S. facilities are now using the heatset process, which provides higher quality and greater product longevity
- During 2000, we printed more than 180 million directories in North America, including more than 95 percent of the directory pages in Canada
- Our directory business is growing in Latin America, where we signed a long-term contract valued at $142 million to print directories in Recife, Brazil, and Lima, Peru, for Listel, a BellSouth company

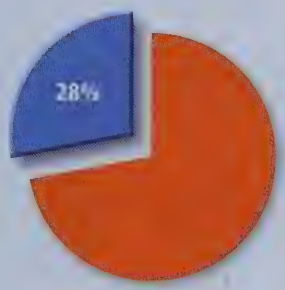
On any given day, virtually everyone in North America touches a product printed by Quebecor World

Strategy

U.S. magazine and catalog plants received the largest share of capital investment during 2000 as the Company moved to restructure its North American operations following the merger. In 2001, the focus will be on specialization as the restructuring program is completed.

We offer creative business solutions that are tailored to the individual needs of customers and can be combined with other Quebecor World products and services. As we further standardize our manufacturing platform during 2001, we will increase the flexibility of our operations, making it easier to accommodate customer requests for last minute changes to pagination, book size, and print orders.

Percentage of Revenue



Total Revenue: $1,817,082

Outlook

During 2001, advertising revenue and pages are expected to drop below the records achieved in the recent strong North American economy. As advertising stabilizes, we will likely see further consolidation among publishers and more demand to combine magazines with new media in multi-channel marketing programs. Our success in attracting new high-growth titles and winning new work from the largest and most financially secure publishers has us positioned well to operate in an environment of slower growth. Greater efficiencies in our magazine plants in France and the start-up of our greenfield operation in Brazil will contribute to the global growth of our magazine franchise.

Strategy

We will continue to specialize our catalog plants to provide customers with more options and better service. Improvements will include the addition of emerging systems and innovations aimed at further developing customization and personalization. We will also help customers better target their catalogs to consumer markets by maintaining a strong emphasis on one-to-one marketing. Targeted catalogs are known to produce double or triple the response rate achieved with mass mailings.

Percentage of Revenue

Total Revenue: $1,065,753

Outlook

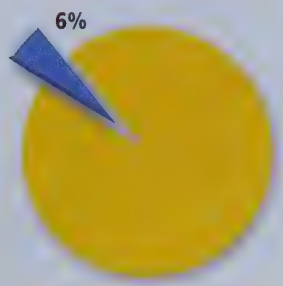
Based on our increasing customer numbers, we are projecting stable growth in both web-based and traditional catalogs during 2001, as opposed to the high growth rate of the recent past. We are confident, however, that our focus on building a customer base that features many of the leading catalogers in North America and Europe will minimize the impact of any negative market forces in the near future.

If the trend continues as expected, catalogers will move toward more fragmented mailings of smaller books to better target their "best customers." This development may lead to an increase in demand for more sophisticated demographic and geographic binding services, which we are well positioned to provide. We may also benefit as customers choose Quebecor World to take advantage of our highly developed logistics capabilities, which can sharply reduce delivery costs.

Strategy

We will continue to build our global network of directory plants. In particular, we will pursue the significant opportunities that we see in Latin America. We will also continue to invest in new technology, putting a special focus on quality improvements and introducing new features that will enhance usability and appeal, including sticky notes, fridge magnets, and other cover "tip-ons."

Percentage of Revenue



Total Revenue: $352,908

Outlook

Independent directory publishers will achieve growth above the industry average during 2001. Some of that growth will come from their introduction of competing directories in several large metropolitan areas of North America. Overall, directory growth is expected to total 3 to 4 percent in 2001 in both North America and the global market in general.

Review of Products

SPECIALTY PRINTING AND DIRECT MAIL

Market Strengths

- Traditional retailers and e-tailers are using Quebecor World to drive traffic to their websites
- Our track record as an industry innovator includes developing new direct mail products such as scrambler cards that draw consumers to customers' websites through the opportunity to play games and win contests
- U.S. mega-facility takes customers through the process from conception to mail in one location, which reduces costs
- Construction of a direct mail plant in the U.K. has positioned us to meet growing demand for direct mail products in Europe
- New products include highly personalized catalog wraps and promotions for the auto industry

RETAIL AND SUNDAY MAGAZINE

Market Strengths

- Coast-to-coast North American network of offset and rotogravure presses makes us the leader in national insert programs
- North American customers include almost every major national retailer in the U.S. and Canada
- We can meet both short-run and long-run customer requirements on an international, national, and regional basis
- The runs we service range from under 25,000 up to 40 million
- New digital engraving and related pre-press processes enhance quality while shortening time-to-market
- The performance of our European platform is improving as we find new efficiencies in France and the Nordic network and increase business in Russia
- Positioned to meet increased demand for retail products in Latin America

BOOKS

Market Strengths

- Industry leader in the U.S., where we print one billion books a year
- With 13 facilities in the U.S., we offer excellent geographic coverage and presses that range from sheet-fed to the widest web technology
- We can print a book in any form, from hardcover best-seller through to trade paperback and then to mass-market book
- Our mass paperback plant in Buffalo, New York, is the largest in the industry
- Our book operations can handle the largest customer orders; for example, Quebecor World has printed two-thirds of the Harry Potter series
- We operate globally, with book plants in the U.S., Spain, Colombia, Peru, Chile, and Mexico

The direct business is one of the fastest growing sectors of the commercial print media industry

Strategy

We will continue to focus on creating new direct mail and specialty products. Our research and development activities are focused on developing new formats and enhancements designed to deliver the customer's message more effectively. We will continue to invest in the complex in-line and off-line finishing and imaging equipment needed to provide one-stop shopping and maintain a leading edge in the marketplace.

Percentage of Revenue

Total Revenue: $920,525

Outlook

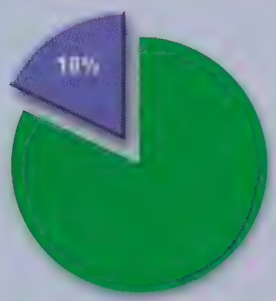
As customers look for cost-effective ways to deliver personalized messages to consumers, direct mail is becoming one of the fastest-growing areas of the company. During the period 1999 to 2002, the compound rate of growth for direct mail is expected to be 5.6 percent, compared to 5.0 percent for all printing products. Direct mail is also expected to grow at a higher rate than other forms of advertising.

Strategy

We will continue to relocate equipment to provide the right coverage and service for customers in all major markets. In keeping with our business model, we will expand the best plants and make them more versatile. Improvements to our pre-press technologies will lead to shorter production schedules, which will give customers more flexibility in managing their print programs.

Incorporating Que-Net Media™ and QW Logistics capabilities into our service to retailers will further compress production times and reduce distribution costs.

Percentage of Revenue



Total Revenue: $1,168,050

Outlook

Between 1999 and 2002, retail inserts are expected to be one of the most robust areas of the industry, growing at a compound annual rate of 5.5 percent. We will continue to upgrade and enhance our offset capability in North America to capitalize on opportunities for new and expanded business. We will also continue to respond quickly to the trends affecting retail customers, such as consolidation and globalization.

Strategy

Our focus is on key sectors that show the potential to double overall book growth, such as educational text books, religious books, and parts of the trade paperback market. By encouraging publishers to print in the first half of the year, we are meeting with some success in flattening the demand curve. We are also positioning ourselves to become a low-cost competitor to Asia in the North American market. Our book plants in Latin America can match Asian producers on quality and cost while meeting shorter delivery schedules in the near future.

Percentage of Revenue

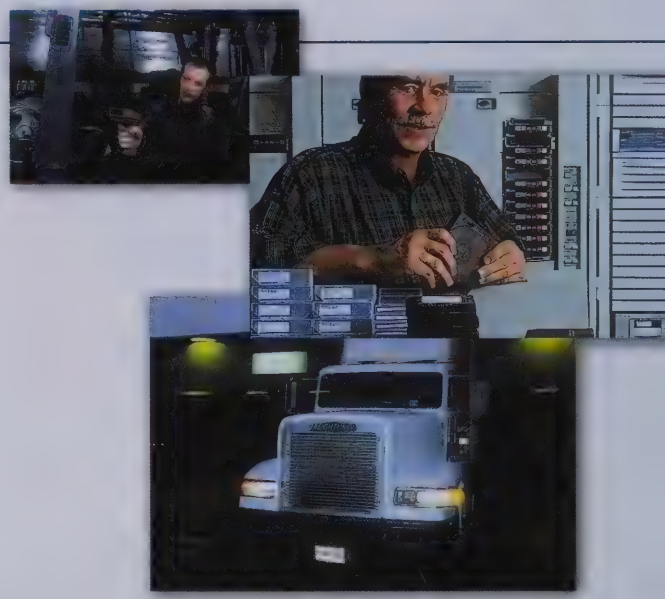
Total Revenue: $790,894

Outlook

We expect strong growth to continue in the book sector during 2001 to 2002, with overall growth totaling 3 to 4 percent. However, growth will likely be higher in some market segments we are targeting, such as education texts, religious publications, and elements of the paperback market. By remaining flexible, we will be able to focus resources on the highest-growth areas as market demand shifts. We also believe the increase in demand for books created by web selling will continue.

Review of Products

LOGISTICS



Market Strengths

- The establishment of Quebecor World Logistics has made Quebecor World the largest and most technologically advanced print transport company, as well as the largest shipper into the U.S. Postal Service
- Our complete logistics services include customized door-to-door planning, management, transportation, delivery, and tracking solutions
- Four mail consolidation centers opened in 2000 are managed from our Cornerstone facility near Chicago's O'Hare Airport, providing U.S. customers with seamless distribution and logistics
- Cutting-edge mail list technologies and expedited air and ground delivery services help customers improve efficiency and reduce cycle times
- Our history of industry firsts and best-of-class systems includes Visions, the most widely used entry point planning system, and Transportation Manager, a highly advanced application that optimizes and integrates deliveries

QUE-NET MEDIA™

Market Strengths

- Fifteen digital centers linked to plants in a high-speed network offer North American customers one-stop shopping for all print and web needs
- Services include state-of-the-art digital photography and color management capabilities
- Technology Solutions Centers combine expertise and innovation in content preparation and management for multiple medium formats
- Involving customers in decision-making at our Technology Solutions Centers differentiates us from our competition
- Flexible systems and procedures fit a wide range of workflow formats and schedules
- We have a history of making technological innovations work
- Becoming a leader in immersive imaging for web applications
- Rapid development of content management and APS tools

Quebecor World Logistics offers the most competitive pricing and top-quality distribution services in the industry

Strategy

Initially designed to serve internal customers in magazines and catalogs, books, and direct mail, our logistics operations will expand and evolve to match the growth of our worldwide network. We will continue to develop services or establish contracts with other world-class companies to provide the most competitive pricing and top-quality service for our customers and plants. Initiatives will continue to focus on developing the most effective means of moving product from Quebecor World plants to the homes of consumers, newsstands, newspaper distribution centers, and other locations.

Outlook

As rising fuel costs and postal rates contribute to higher delivery rates, logistics is growing in strategic importance. It has also become the fastest growing area of the company, a trend that is likely to continue in 2001. Due to the huge volumes and increasingly efficient management, we expect our logistics operations to generate significant revenue in the near future.

QUE-NET MEDIA™, LOGISTICS, and Other Value-Added Services

Total Revenue: $405,865

Strategy

During 2001, Quebecor World will roll out four new Technology Solutions Centers that involve customers in learning and making choices among communications options. We will also expand our digital photography services and locations and enter the marketplace as an Application Services provider, providing customers with access to content management and automated publishing tools. Organic growth will focus on print customers in three vertical markets: catalogs, retail inserts, and magazines. Our primary objective is to achieve greater account penetration by generating more business from existing print customers. New acquisitions in North America and Europe will complement organic growth.

Outlook

Following its launch in 2000, Que-Net Media™ is planning to deliver significant top-line growth while investing in new Technology Solutions Centers in Toronto, Chicago, New York, and Los Angeles. Based on current market demand, the opportunity to sell Application Services to catalogers, retailers, and publishers is expected to be strong and Que-Net Media™ is poised to take advantage of this new revenue stream.

Quebecor World

North America

The Largest Merger and Equipment Restructuring in the History of the Industry

Will Samuel inspects a stacker at Quebecor World Chicago. The plant produces magazines and catalogs. Quebecor World produces five of the top seven monthlies as measured by advertising revenue.

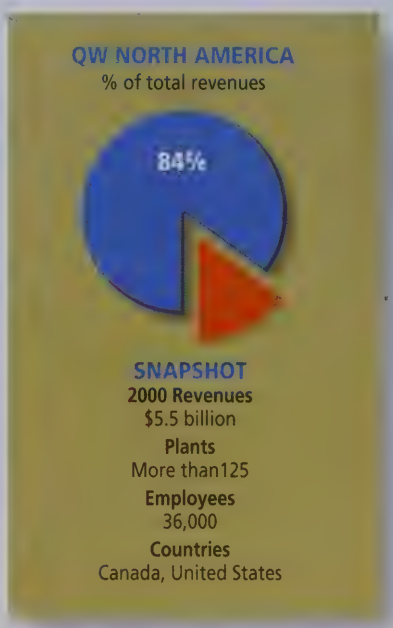
Bringing together over 36,000 people and some 129 plants across North America and combining them into a single organization is no simple feat.

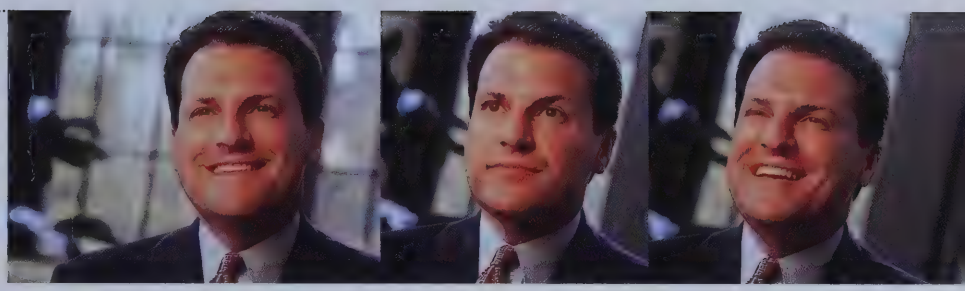
In the space of a year, we have forged Quebecor World into a strong, unified company. We're on target for meeting cost savings that are double our original estimate. And we are close to finishing the largest, most successful restructuring ever undertaken in the industry.

The skill, dedication, and ability of our people enabled us to succeed beyond even our own best hopes. Drawing on the deep pool of talent in both founding companies, Quebecor Printing and World Color, we chose the best managers to lead our business units. And at every level of the Company we found the best, most dedicated employees and asked them to help us grow. It has worked. This year we achieved record revenues and record production levels and set record margins for our industry.

During 2000, Quebecor World combined the strengths of two industry giants, laying the foundation for even greater growth.

Quebecor World is now the leading print media company in North America. Our Magazine and Catalog Group is the world's largest, printing more magazines and catalogs than anyone else, including some 46 percent of the top 125 magazine titles in North America and 40 percent of the top catalogs. Our Targeted Publications and Catalog Group is the industry leader in printing shorter-run magazines and catalogs, producing more than 1,100 titles in a growing market for specialized content and business-to-business advertising. In retail inserts, where we are also the major player, our customer list includes almost every major national retailer in the U.S. and Canada. And our Book Group, also the industry leader, prints nearly one billion books a year, from best-sellers to trade paperbacks and mass-market books. And most importantly, during 2000 we have now established ourselves as a significant com-





Marc L. Reisch,
Chief Executive Officer,
Quebecor World
North America

With strong, disciplined leadership in place, we not only met the challenges of restructuring, we also achieved record revenues and set record margins for our industry.

petitor in the education market. In the directory business, we are the supplier to 42 of the top 50 directory publishers in North America. We produce more than 180,000 directories for the North American market.

Going forward, our mission will be to further tap into the synergies available to us by leveraging our strengths: our people, our unparalleled production and technological capabilities, and our positioning in the industry.

THE LARGEST EQUIPMENT MOVE EVER

The integration of two successful industry giants—Quebecor Printing and World Color—involved the printing industry's largest-ever equipment reconfiguration. Nearly every one of our plants in the U.S. was affected in some way. In total, nine plants were closed and some 30 presses and 40 stitchers and binders were relocated.

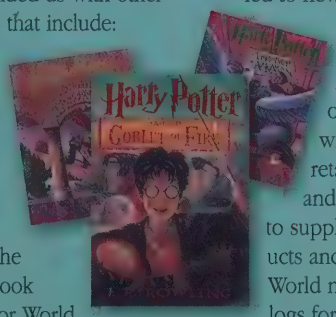
The main objective of this massive restructuring was to reconfigure our U.S. operations into fewer, larger, and more specialized plants. Two examples include

Building for the Future

In addition to the benefits of specialization, the merger provided us with other competitive advantages that include:

Harnessing greater capacity

By integrating the two manufacturing platforms, we can produce in far greater volume. For example, the expanded size of our book network made Quebecor World the obvious choice as lead printer of the wildly popular Harry Potter series. To date, our plants have produced about two-thirds of the four-book series.



Cross-selling

Creating a single sales force to cross-sell the full range of products and services is allowing us to expand our relationship with customers. A good example is the $150-million contract we signed with Reader's Digest. While the sale began with the Commercial Group, our ability to satisfy Reader's Digest's many needs led to new business producing and distributing books, magazines, and catalogs. Another example is our growing relationship with Office Depot, a U.S. retailer of office supplies and equipment. In addition to supplying direct mail products and retail flyers, Quebecor World now prints all of the catalogs for Office Depot.

Using technology to greater advantage

Both founding companies had a history of investment in technology, providing Quebecor World with a modern manufacturing platform. For example, our ability to combine market intelligence with customized production allows us to target carefully defined groups of consumers. For instance, we print 100 different versions of *Money* magazine and 300 versions of *Elle*.

our mega-plant in Buffalo, New York, that now specializes in mass-market paperback books and newspaper inserts and our mega-plant in Effingham, Illinois, that produces only direct mail products.

By increasing the size and specialization of our plants, we are able to improve asset utilization rates and reduce overhead, thereby allowing us to produce more volume at a lower cost. Having a greater number of similar presses in one location also provides increased scheduling flexibility and faster turnaround times while simplifying training and improving quality.

To customers, the benefits are far-reaching. Catalogers and retailers can get an edge on their competitors by waiting longer to finalize prices and merchandise promotions. Publishers can get paperbacks to market within the short, critical sales window that follows hardcover publication. And automotive customers can produce high-quality brochures in volumes that make them a cost-effective form of advertising. As we further optimize our manufacturing platform in 2001, we will continue to increase our manufacturing flexibility, making it easier than ever before to accommodate last-minute requests for changes to pagination, book size, and print orders.

Susan McKay programs a self-guided transporter that moves skids from the bindery to the warehouse. Quebecor World facilities use the most up-to-date technology on the market.

OUR PEOPLE ARE THE BASIS OF OUR SUCCESS

Despite the size and complexity of the equipment move, our plants achieved record production levels in 2000. We also succeeded in bringing in new business during the year. For example, Quebecor World now prints all of the catalogs for Office Depot, a U.S. retailer of office supplies and equipment, in addition to continuing to produce its direct mail and retail inserts.

The quality and dedication of our people and the depth of experience they represent is unequaled in the industry. Rather than being caught up in the significant change resulting from two corporate cultures coming together, our employees were able to recognize the vast opportunities created by the merging of two industry leaders and to focus on getting the job done to the best of their ability.

By restructuring, we have been able to reduce administrative costs, increase economies of scale, and improve efficiencies.

Going forward, we believe that one of our greatest opportunities will be to ensure that all the talent and knowledge of our people is fully utilized. The two founding companies of Quebecor World were built through a series of some 85 acquisitions, bringing together a wide range of talented people and their innovative ways of doing things.

Through better employee communications and best-practices initiatives we can more fully tap into the power of our employees. For example, in the Magazine Group, various publishing customers can

The quality of our people and their depth of experience is unequaled in the industry

What Does it All Mean to Customers?

We're using our greater size and depth of capabilities to create new competitive advantages for ourselves and for our customers. Here are some of the benefits Quebecor World offers to customers today:

• Unmatched capabilities and capacity

Quebecor World offers production capacity and technological capabilities like no other in the industry. We have an unparalleled complement of offset presses and gravure presses, binding, and other associated technology requirements that are being realigned to provide customers with maximum flexibility, whether in terms of scheduling or satisfying many different production requirements.

• More products and services

Our expanded production capabilities allows us to offer an even wider range of products and services than either founding company did alone.

• Speed of delivery

With more presses in our networks and greater geographic coverage, we can print closer to final shipping destinations, reducing the time and cost of delivery.

• Increased flexibility

Our increased manufacturing flexibility makes it easier than ever before for customers to respond more quickly to their markets and gain an edge on their competitors.

• Enhanced geographic coverage

With the most extensive network of facilities in North America, all connected by our fiber-optic network, Que-Net, we are exceptionally well equipped to meet the requirements of local, regional, and national customers.

• Seamless international printing services

A newly formed international sales group gives customers coordinated access to our international network, ideal for companies operating on more than one continent or looking to expand abroad.

• Increased targeting capabilities

The technological know-how and production capacity of the two founding companies have been brought together to provide a superior complement of targeting capabilities. For example, Quebecor World can easily accommodate the customization of targeted catalog work or produce different versions of a magazine for national and targeted geographic distribution.

• Strategic distribution

Quebecor World Logistics was created to take advantage of our higher volumes to improve efficiency and allow us to offer superior distribution services to our customers.

• More cost-efficient procurement

Our price competitiveness reflects our collective purchasing power and the efficiencies of Quebecor World's global procurement system.

Thomas Wiza inspects a new roll of paper at Quebecor World Chicago.

often ask to have the same insert in different magazines. If one plant finds a more efficient way of performing the insertion, this information can be passed on to other plants through a work group set up on the Company's Intranet. Quebecor World's broad use of networking technologies such as this facilitates the sharing of information throughout the entire Company and is an important lever for profitability.

LEVERAGING OUR LEADING MARKET POSITION

Another important priority is to ensure that customers can benefit from the full complement of our expanded printing capabilities and broad services. With this in mind, we have recently made strategic cross-sell presentations to many of our major clients. These presentations brought together teams from across our different business units to tell the story of Quebecor World and where we see value for the customer. These presentations are being well received and we recently signed a multi-year agreement with The Reader's Digest Company that is expected to generate revenues well in excess of $150 million. Key to this agreement is the breadth of services it covers. It includes the production of all of Reader's Digest U.S.-based book production, all of their magazines other than the *Reader's Digest* magazine, their commercial work, their catalogs, and some logistics services. Our relationship with The Reader's Digest Company demonstrates the benefit our platform can bring to our customers.

OUTLOOK

We are the largest print media company in North America, but there is still ample room to grow in the highly fragmented printing industry. With the completion of the current restructuring plan in 2001, we are in a position to grow further and continue the quest for even greater cost and operational efficiencies.

Consolidation and global expansion among our target markets will also fuel our future growth. No other company has such an extensive and diversified print media platform capable of meeting the growing needs of companies that prefer single source capabilities in North America and around the world. As customers such as AOL Time Warner, Bertlesman, and Hearst continue to go through industry consolidation not unlike ours, we believe we are well positioned to serve them.

Moreover, with a reputation as both the leader and an innovator in the industry, we continue to attract talented managers who will help us serve customers better and, in so doing, to generate new opportunities for the Company.

Quebecor World Logistics

New Growth Opportunities in Distribution

A major benefit of the Quebecor Printing and World Color merger has been the significant improvement in the Company's ability to provide cost-effective, efficient, and trackable distribution services. These services are centralized through Quebecor World Logistics (QWL), conveniently located at "Cornerstone," just outside Chicago's O'Hare airport. This division, led by Dan Scapin and his team of transportation specialists, develops the most effective way of moving product from Quebecor World plants to end-users' homes, newsstands, newspaper distribution systems, warehouses, and other locations.

Quebecor World is the largest shipper into the U.S. postal system, shipping three billion pounds of mail annually.

Quebecor World is the largest shipper into the U.S. postal system, shipping three billion pounds of mail annually. QWL is able to guarantee as large a percentage of on-time deliveries as anyone. We do this because we ship deeper into the U.S. postal system, reducing lead time and distribution costs. Product from our network of plants is shipped to one of our five consolidation centers. From there it is combined with other products and routed to the postal station closest to its final destination. This system means our trucks are full and make fewer stops, speeding up delivery and reducing costs.

QWL Consolidation Centers

The merger of the two companies' mail list technologies allows QWL to produce a mail bundle that is in the walking route of your local mailperson. Our real time inventory system uses radio frequency bar coding that helps track product, enabling the Company to tell the customer where the product is at any given time. This technology is allowing Quebecor World, in less than one year, to provide the most competitive pricing and top-quality distribution service to its customers.

Another part of the logistics mosaic is Quebecor World Insight Services. This group is a leader in targeting print for our clients. Targeting requires sophisticated mapping software, data mining, and distribution capabilities. Quebecor World Insight Services applies technology to client's delivery realities, giving more power to print.

Due to the huge volumes and increasingly efficient management of our logistics business, we expect it to be a significant revenue opportunity as we move forward.

Using sophisticated mail list technology and other tools, Quebecor World Logistics can deliver a mail bundle into the walking routes of USPS postman Larry Almon and his colleagues.

Que-Net Media™

Harnessing the Power of New Technologies for Our Customers

The genesis of Que-Net Media™ finds its roots in the evolution of our customers' needs to interface with Quebecor World's core print businesses using rapidly evolving digital technologies.

For many years, our "pre-media" businesses functioned primarily as an extension of our print relationships. With the recent explosion in the transformation of information and images from analog format to digital, the potential to create a new business platform became obvious. We recognized that we have the skills and technology tools to capture, manage, archive, and redistribute images and information from creative source through to a broad range of media platforms.

STRONG MANAGEMENT

We have refocused our former digital services facilities and branded them under the name Que-Net Media™. Chris Rudge, one of Quebecor World's most senior and experienced executives has been appointed Chairman and CEO of this new venture. By strategically positioning Que-Net Media™ between our traditional print world and the proliferation of new web-enabled media platforms, Quebecor World is uniquely positioned to provide our print customers with an expanded range of services. At the same time, we are rapidly attracting new business and entering a broader range of markets.

A 360-DEGREE RELATIONSHIP

Our relationship with Hard Rock Café is a good example. It began in the United States with a contract to photograph 360-degree IPIX images of restaurant interiors, allowing visitors to Hard Rock Café's website to view them on their computers. That assignment led to work photographing the memorabilia in 54 Hard Rock Cafés around the world and building a system to archive more than 2,500 digital images. This will allow Hard Rock to access and reuse the digital images whenever and wherever they are needed.

"The reason Hard Rock selected Que-Net Media™ for this assignment was not only their photography staff, but their national and global reach. I knew I would have the consistency of output anywhere in the world."

And our relationship with Hard Rock Café is expanding again, turning full circle to print with yet another contract to do photography and pre-media for a solicitation that will precede publication of a catalog.

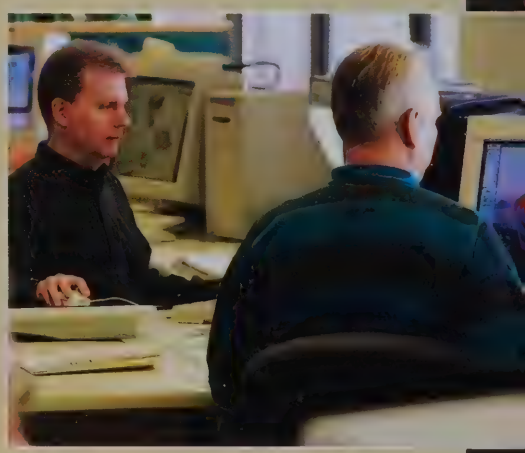
As Thomas Sessions, Creative Director for Hard Rock Café International, states, "The reason Hard Rock selected Que-Net Media™ for this assignment was not only its photography staff, but its national and global reach. I knew I would have the consistency of output anywhere in the world."

STAYING AHEAD OF THE CURVE

Over the next year, Que-Net Media™ will be focused on growth in a number of areas. While currently well established in North America with a base of 15 plants, we will continue to add facilities that can bring new capabilities and extend our geographic reach into key markets. Four of our facilities—New York, Chicago, Toronto, and Los Angeles—will be expanded to become unique customer solution centers. Here we will offer a broader range of client-based resources focused on sharing with our customers the full power of Quebecor World's global reach.

We will add facilities offshore in order to marry Que-Net Media™'s resources with the expanding global initiatives of many of our customers who are moving into new markets in Europe and Latin America.

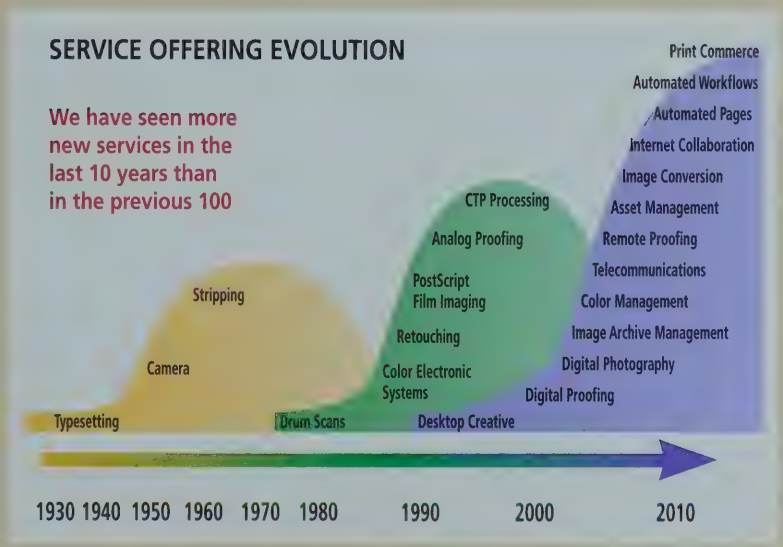
Most importantly, we will be investing in the development of new technologies that



Christopher H. Rudge,
Chief Executive Officer,
Que-Net Media™

will allow our clients to avail themselves of the best content management and automated publishing solutions in the market. The graph in this section demonstrates the evolution of the pre-media business over the past several decades. We intend to stay ahead of the curve in developing new products in partnership with web-enabling technology developers.

Building on the past…growing with the future. As the global demand for communications in print continues to grow in parallel with a wide range of new media opportunities, Que-Net Media™ is uniquely positioned to help its clients pursue an ever-increased range of communications opportunities.



We will add facilities off-shore in order to marry Que-Net Media™'s resources with the expanding global initiatives of many of our customers who are moving into new markets in Europe and Latin America.

Que-Net Media™ brings the best of class together in one organization. Our specialized network of experts can create, manage, store, and automate our customers content and images for all cross-publishing and promotional needs.

Quebecor World

Europe

A New Team, a New Outlook
Creating a Continental Platform

Our Spanish facility in Altair is one of the country's leading producer of magazines and advertising brochures.

The year 2000 for Quebecor World Europe was a year of transition. It was a year in which we made significant management and operational changes to put our European platform on a firm footing to achieve greater returns in 2001. Already we are seeing successes. Business improved sharply in the second half of the year. The operating margin is now closer to 7 percent, which is where it has been historically on a consolidated basis.

A PAN-EUROPEAN PRINTER

We entered Europe as a new player in 1994. By 2000, Quebecor World Europe operated in six countries and had annual revenues of almost $1 billion. But our European plants continued to operate largely along country-specific lines. One of the major challenges of the new management team was to take this group of near independent operations and consolidate them into a single continental printer, one that could maximize the total asset base. This allows us to make more efficient use of our resources and better serve the customer. For example, although we don't have rotogravure presses in Britain, we can service our British magazine customers from either France or Sweden. We print *OK* magazine, one of England's largest weeklies, at our gravure facility in Lille, France. Organizing on a continental basis means that we will be more efficient. If we have overcapacity in one facility, we can shift the work to another, thereby increasing our asset utilization and meeting the customer's deadlines.

If we have overcapacity in one facility, we can shift the work to another, thereby increasing our asset utilization and meeting the customer's deadlines.

FOCUS ON FRANCE

Another of the critical tasks for our management team was improving business in France, our largest European market. The appointment of Vincent Bastien as Chief Operating Officer, Quebecor World Europe, will go a long way toward correcting this situation. Overcapacity in the industry had suppressed sales and margins. Mr. Bastien has extensive experience in management and marketing in France. This appointment, as well as a push toward specialization following our North American model, will increase margins in France and throughout Europe. In 2000, we closed our Bondoufle facility and relocated equipment to other plants. We upgraded our Torcy facility and specialized retail production at our La Loupe plant.

John Bertuccini, President
Quebecor World Europe

The European printing market is valued at $90 billion a year. It remains highly fragmented, offering opportunities for further consolidation, specialization, and economies of scale. Our preference is to establish partnerships with publishers who aim to exit their printing operations to focus on content. These type of arrangements are also likely to give us the security of long-term contracts.

Quebecor World has the largest rotogravure network in Europe.

INTEGRATING NORDEN OPERATIONS

The other major changes occurred in our northern European operations. The four Nordic plants are now managed according to their printing processes and the markets they serve rather than along country lines. This makes them more flexible and more accessible to cross-selling opportunities. Now, as our business expands into Russia, the overflow work in our Finnish plants can be easily shifted to Sweden.

Nordic plants are more flexible and more accessible to cross-selling opportunities.

OUTLOOK

With the changes complete in mid-2001, our European manufacturing platform will be both more efficient and more specialized. The consolidation of our operations into a strong continental network will place us in a better position to serve our customers.

The expected increase in the number of multinational customers will also contribute to better results. We expect to achieve double-digit increases in revenues and earnings during 2001.

QW EUROPE
% of total revenues

SNAPSHOT

2000 Revenues
$890 million

Plants
27

Employees
5,800

Countries
United Kingdom, France, Sweden, Finland, Austria, Spain

Spotlight on Vincent Bastien

Vincent Bastien,
Chief Operating Officer,
Quebecor World Europe

Vincent Bastien, the recently appointed Chief Operating Officer, Quebecor World Europe, loves a challenge. Having recently joined the Quebecor World team in September 2000, Mr. Bastien's background is impressive to say the least, having been at the helm of multinational corporations in retail, industry, and high-end luxury items. Until Mr. Bastien is fully integrated in the Quebecor World family, he will operate as President, Quebecor World France, as an interim step.

Philosopher, piano and opera aficionado, and former rugby player, Mr. Bastien feels that Quebecor World is a perfect fit for his style of management. "What attracted me to Quebecor World is the underlying core values held by the Company. The entrepreneurial spirit is alive and well here and I feel this is an opportunity for me to thrive. In addition, I appreciate the blending of cultures. There is a European flavor at the Canadian offices that is well balanced with the American way of doing business."

Prior to joining the ranks of Quebecor World, he worked most recently with an Internet-based company. He believes his firm grasp of the evolving industry gives him an edge in the printing industry because the two industries control how we manage information now and in the future. Mr. Bastien added, "The printing industry is a key player in the new economy. It is an exciting time for print media and Quebecor World. The opportunities are endless as we are able to offer our customers comprehensive solutions for their communications needs."

One of the key attributes Mr. Bastien brings to Quebecor World is his ability to combine the management style of North America while respecting the existing diverse cultures of Europe. He is the ideal go-between for these diverse cultures as he has dealt with people from all over the world in his previous leadership positions. "I find it is always best to try and communicate with people in their own language. It not only puts them at ease, it allows you to better understand their position." The task is rendered even more easily given that Mr. Bastien speaks many languages: from French (his mother tongue) and English to Spanish, German, Russian, and even Japanese.

Mr. Bastien points out that a critical factor to success is to have respect for each culture and individual you do business with. "You must take into account their situation to better understand your customers; the same applies to your employees."

New Appointments in Quebecor World Europe

John Bertuccini
Formerly President, East Group, Quebecor World Canada; was appointed President, Quebecor World Europe.

Vincent Bastien
Joined the company as Chief Operating Officer, Quebecor World Europe. Mr. Bastien has extensive experience in general management and marketing. As an interim step, he is operating as President, Quebecor World France.

John Dickin
Managing Director of Quebecor World's operations in the U.K.; broadened his focus by accepting the position of Executive Vice President, Quebecor World Europe. His responsibilities include business units in Spain, the Nordic countries, Austria, and the U.K.

Andrew Parker
Formerly Director of Manufacturing and Customer Services, U.K.; became Managing Director of Operations at Corby, U.K.

Serge Reynaud
Formerly Vice President Human Resources, Quebecor World; was appointed Chief Administrative Officer, Quebecor World Europe.

Mark D'Souza
Formerly Vice President and Treasurer, Quebecor World; now Chief Financial Officer, Quebecor World Europe.

A Management Committee was formed during 2000 to recognize the stronger links among European operations. The committee is composed of the European senior executive team and the various country presidents. Together, they decide on the allocation of resources to ensure that future investment yields maximum return to shareholders.

Quebecor World Global Links Increases Sales

With new leadership, a better management structure, a more efficient manufacturing platform, and a pan-European sales force, Quebecor World has begun to see a marked increase in market share. A significant source of business growth in 2000 came from multinational customers who deal with Quebecor World in several countries and continents. In 2000, we produced catalogs and/or inserts for a growing number of international customers, such as North American retailer Office Depot. We also recently tapped into our global network to provide U.S.-based publisher The Learning Tree with a unique combination of products and services. As well as printing catalogs for The Learning Tree International in Europe, we filled an order for catalog wrappers at a Quebecor World plant in Atlanta, Georgia.

Our international cross-selling is not exclusive to North American companies expanding in Europe. Our relationship with home furnishing retailer Ikea originally began in Europe, where we now print its catalogs in four countries, and later was extended to North America. We have also produced books in our Latin American facilities for customers based in Spain, a natural link given the linguistic connection.

Given the importance of our multinational business to both us and our customers, Quebecor World has just recently established an international sales group. The team is headed by Paul Jones, Vice President of International and European Sales. This group consists of senior sales executives in Europe, the United States, Canada, and Latin America, who serve as central contact points to ensure the seamless delivery of international print orders. Our European office will facilitate the administration of customers' international needs. These steps make it easier for customers to do business with us in more than one country and will help ensure that we take full advantage of our dominant global position to grow our sales.

Global Customers

	NORTH AMERICA	EUROPE	LATIN AMERICA
MAGAZINES			
	Emap	Emap	
	Forbes	Forbes	
	Book of Hope	Book of Hope	Book of Hope
	Rodale Press	Rodale Press	
	Bauer	Bauer	
	Meredith	Air France	
	Hearst		Hearst
	Hachette	Hachette	
CATALOGS			
	IKEA	IKEA	
	Air France	Air France	
	Brylane/La Redoute	Brylane/La Redoute	
	Office Depot	Office Depot	
	The Learning Tree Int.	The Learning Tree Int.	
	Avon		Avon
		Carrefour	Carrefour
RETAIL			
	Costco	Costco	
DIRECTORIES			
	BellSouth		BellSouth
SPECIALTY			
	Meredith	Meredith	
	Chrysler		Chrysler
	Nortel	Nortel	Nortel
BOOKS			
	Scholastic		Scholastic
	Reader's Digest		Reader's Digest
	Book of Hope		Book of Hope
	Thomas Nelson		Thomas Nelson
		Santillana	Santillana
PRE-MEDIA			
	Hachette	Hachette	
	Emap	Emap	

Quebecor World currently generates $500 million of sales from customers using our service on more than one continent. This chart shows some examples of our global customers.

E-Procurement

Creating a Virtual Warehouse

Digital technology is not only changing the way Quebecor World manufactures products and offers services, it's providing new opportunities to improve efficiency and lower costs in our supply chain. During 2000, we created a private web-enabled business-to-business (B2B) exchange, expanding on our existing global procurement activities.

Based in Fribourg, Switzerland, the exchange allows us to reduce costs and improve operating margins by aggregating demand for items such as ink and paper across our entire 160-plant network. Using B2B technologies provides us with a virtual warehouse for ink and paper. This gives us the tools to track supplies in real time, creating smaller inventories and faster turnover.

During 2000, we integrated the North American platform into our global procurement activities. Working with several key suppliers, we also started to evaluate a move beyond ink and paper to include additional materials. By next fall, we should have a virtual paper warehouse that will allow us to increase our inventory turns and identify paper stocks and roll sizes throughout our system that can be moved to any plant.

Believing that the industry as a whole can benefit from increased cooperation among all players in the supply chain, we proposed the idea of an industry marketplace to three other major printers. During the year, we held discussions aimed at creating industry-wide standards for communicating with customers and suppliers. Once the groundwork is laid, we plan to expand the marketplace to include other printers and suppliers.

In a related move, Quebecor World was also one of several leading printing and publishing companies that agreed to test electronic formats for communication between publishers and printers. The group is evaluating XPP, a powerful tool based on XML technology. XML is considered the premier emerging protocol for Internet-based transactions.

In 2001, Quebecor World will have a virtual paper warehouse to track inventory. The system will significantly reduce working capital requirements.

Quebecor World Oberndorfer Druckerei in Austria produces magazines and catalogs for Austrian and German markets.

Quebecor World

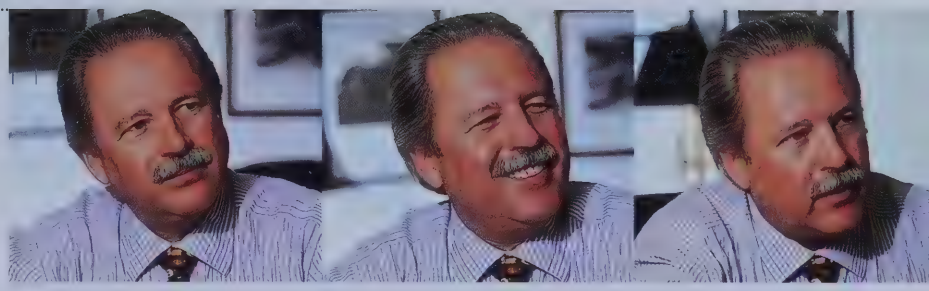
Latin America

Preparing for the Economy of the Future

When Quebecor World looks for opportunities to grow, we look at markets and their potential. There are few places in the world with more potential than Latin America. This is a region with a population of almost 500 million—50 percent more people than in the United States and Canada. It offers a highly fragmented print market, ripe with opportunity for consolidation. We are now established in six Latin American countries and we are making money. The profit margins currently aren't as high as in North America, but we see this as an investment in the future, an investment in a market poised for growth. As hemispheric trade barriers come down and the Platform of the Americas takes shape, we will be ready, and in 2000 we took a bold step in that direction with our expansion into Brazil.

In just a few short years, Quebecor World has become one of the leading printers in Latin America.

Laying the groundwork to take full advantage of the "Platform of the Americas" as it takes shape...



Guy Trahan,
President
Quebecor World
Latin America

STRATEGIC EXPANSION INTO BRAZIL

Last fall, Quebecor World started building its first plant in Brazil, the largest country in Latin America, with more than 164 million people. The decision to build a greenfield site was made in partnership with Editora Abril S.A., South America's leading publisher of magazines, including *VEJA* the world's fourth-largest news weekly. Under a 10-year agreement valued at $170 million, Quebecor World will print 18 titles, or 83 million magazines, a year for Abril. The plant is strategically located in Recife to get the product to the newsstand faster and reduce the distribution costs in the important northeastern market.

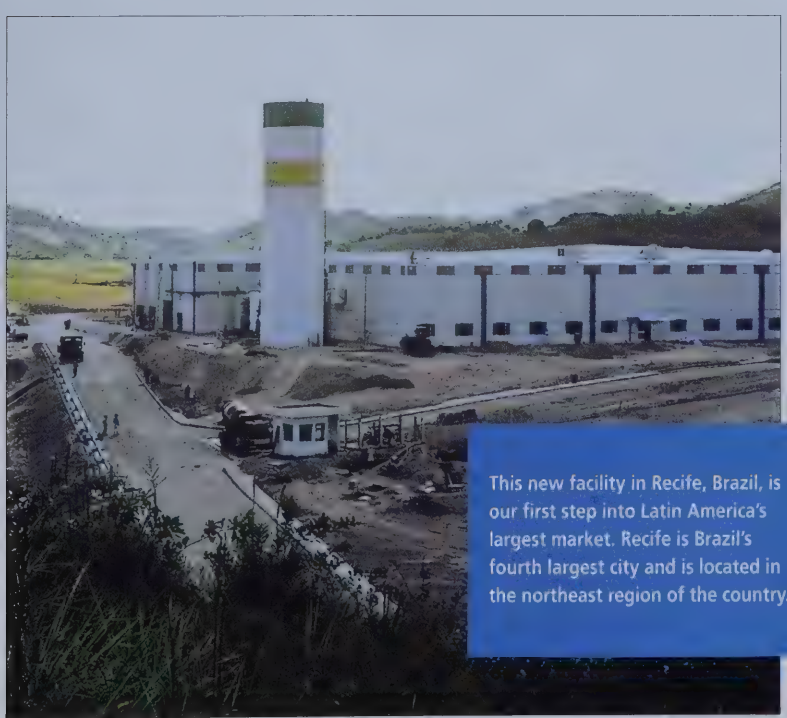
New contracts with Abril and Listel increased our Latin American business by more than 30 percent.

While the Recife plant was still on the drawing board, we decided to double its size to meet the needs of another customer. We will produce telephone directories in Recife and in our Lima, Peru, plant for Listel Listas Telefonicas S.A. Listel, the largest and fastest growing directory publisher in Brazil, is owned by BellSouth Corporation, with whom we already have an existing relationship in the U.S. and in Peru, where we also print directories for them.

In total, the 10-year Listel contract is worth $142 million and we will print 11.8 billion directory pages a year, or more than half of all the directory pages we print in Canada annually.

PARTNERSHIPS KEY TO SUCCESSFUL GEOGRAPHIC EXPANSION

As the growing trend toward globalization continues, we are ready to expand the amount of multi-continent business we do with international customers. Entering new geographic markets is a challenge that demands careful planning and decision-making. Our approach is to bring our experience and best business practices to share with strong local partners who bring their own unique expertise, including knowledge of the market and the culture.



This new facility in Recife, Brazil, is our first step into Latin America's largest market. Recife is Brazil's fourth largest city and is located in the northeast region of the country.

Online: Spring 2001
Size: 176,000 sq. ft.
Presslines: 5
Employees: 213
Customers: Editora Abril S.A., Listel Listas Telefonicas S.A.
Production: Magazines and directories

An employee in Lima, Peru, spreads ink on an eight-unit Speedmaster. Our facility in Lima is the largest printer in Peru.

As the growing trend toward globalization continues, we are ready to expand the amount of multi-continent business we do with our international customers.

Our new partnership with Editora Abril, one of South America's leading publishers, is but one example of how we seek to combine two powerful forces to make the new entity greater than the sum of its parts.

A second part of our approach is to partner with existing customers to assist them in expanding into new markets, or simply to build on established relationships to improve both our businesses. Our recently expanded relationship with Listel Listas Telefonicas S.A. to print their directories in Brazil is a perfect example of this strategy. Other examples include Carrefour and Avon, which are customers of ours in Europe and the U.S., respectively, that now do business with us in Latin America.

PRODUCING BOOKS FOR THE U.S.

In addition to the domestic demand for print in Latin America, this part of the world also offers an opportunity to produce print material for the United States. Quebecor World's book operations in Latin America can compete with book producers in the Far East on cost and quality and beat them on time to the North American market. Quebecor World Colombia can deliver by air to Miami or Los Angeles in a couple of hours or by ship in a couple

Competing with the Far East in cost and quality...

of days. Quebecor World Peru is proving to be another valuable resource for meeting the demands of the North American market. The plant's modern facilities recently met a tight deadline to print and deliver three million dictionaries to the United States.

As our links to the rest of Quebecor World network grow stronger, book production in Latin America is expected to continue to increase. Already in 2000, our Latin American operations printed 15 million books for the U.S. market, largely through the dedicated efforts of our North American sales team.

OUTLOOK

Latin America's improved economy is revealing new and exciting opportunities. However, since the continent is likely to remain a more volatile business environment than either North America or Europe, we will expand carefully through a series of small, strategic acquisitions. During 2001, we expect to realize significant organic growth from the start-up of our new facility in Brazil this spring. By investing further in our book operations in Mexico and Colombia, we will also expand our position as a low-cost supplier to the North American market.

Quebecor World Expansion Strategy

Behind our Successful International Expansion

Expanding internationally can take many years of building trust and relationships with local partners and customers. As well, one must gain a thorough understanding of the local business culture, adapt to other languages, and often overcome administrative and regulatory barriers.

In the Company learned and adapted, often partnering with companies it acquired and merging best-business practices.

In 1994, the Company began expanding into Europe, quickly becoming the largest European print media company, with approximately $1 billion in annual

Latin America will become an important market as the "Platform of the Americas" takes shape. A fragmented printing market provides many opportunities for consolidation.

Quebecor World began as a Canadian company. But in the late '80s, management realized if the Company wanted to continue to grow it had to expand internationally. It began to build through acquisitions in the U.S. Today, about 70 percent of the Company's revenues are generated in the U.S. and it is the leading print media company in North America. As it grew, sales. And in the mid-'90s, Quebecor World entered the Latin American market, where it is also one of the leading print media companies. We also have a plant in India that prints directories.

Partnerships have been critical to the success of our geographic expansion, particularly in certain parts of Europe, in Latin America, and in India. These partnerships have been made with either a local printer or local publisher. In many instances, we have also built on existing customer relationships to partner with them in other geographic markets. A prime example of both strategies at work is our recent expansion into Brazil, a move made possible by two partnerships: one with South American publishing giant Editorial Abril; and another with our directory customer Listel Listas Telefonicas S. A. In both cases, we are building on existing relationships.

Partnerships have been critical to the success of our geographic expansion, particularly in certain parts of Europe, in Latin America, and in India.

Quebecor World is a multilingual, multicultural company. These features are inherent to our day-to-day business. Our entrepreneurial spirit and diverse corporate culture are at the heart of who we are. Above all, relationship-building and partnerships are of utmost important to us. These values have been the basis of our successful international expansion; they have enabled us to expand into 16 countries on four continents and, further yet, have allowed us to operate as a globally-integrated company to assist customers in their own international expansion.

Quebecor World Culture at Work

Helping Employees Build a Better Life

Actions speak louder than words and no one takes this more seriously than the management team at Quebecor World. Describing the Quebecor culture and philosophy is one thing; but putting the description into action is part of the core philosophy of Quebecor World. By leading through example—which means not only accepting the cultures of others, but embracing the ways people do business in other parts of the world—Quebecor World has raised the bar in corporate governance.

Quebecor World is not just paying lip service when it says people are its strongest asset. We take it a step further and put our beliefs to the test. And it is this spirit that has given Quebecor World success at home and abroad. When we enter a new geography, we work with our new partners, learning how they run their business, help their customers, and interact with their employees. We also share our experiences with them and try to blend the cultures by keeping the best from both worlds.

The following article clearly demonstrates a situation where Quebecor World is taking an active social role and continuing to make a difference.

A SUCCESS STORY

Luis Quimaya has worked at Quebecor World for the last 10 years in the finishing department at the book plant in Bogota, Colombia. (The Bogota plant serves the book markets in the Americas.) In the last year, Luis's life has changed dramatically. Not because he received a promotion, got married, or had another child, but because for the first time, he moved into his own home. "I never thought this would be possible, but now I have my own space that I don't have to share with others," says Luis. "When I come home after work, I can spend time with my family. I have peace."

HOUSING DIFFICULTIES

It is a peace hard to come by in Bogota, a crowded city of more than seven million people with very limited affordable housing. Most people pay rent and share their housing with parents, brothers, sisters, and friends, which was the situation for Luis and his family. "Being in my own house now is only possible because of the Quebecor World housing program.

"I have a house, a sense of accomplishment, and the possibility of giving my daughter a better life."

Without it my children and I would still be living with others and paying rent instead of paying for our own home."

The program was started by Marie and Alberto Umana, our partners since the acquisition of the facility. They are the

Since 1989 more than 140 employees have purchased a new home. This year, we anticipated 20 more employees will move into new houses.

creators and leaders of the program that has helped more than 140 employees purchase a new home and should help an additional 20 this year.

HOW THE PROGRAM WORKS

The first step involves setting up a savings account, which is managed by the Human Resources department at the plant. Once the employee saves 10 percent of the purchase price for his home, he becomes eligible for a government grant. The Company's role is to assist employees to take advantage of the already existing program, guide them through the process and the paperwork, and act as their liaison with the administration. Once the initial steps are completed, the Company arranges a meeting with a financial institution so the employee can get a loan for the rest of the purchase price. "I could not have done this on my own," explains Nery Castillo, a 43-year-old plant employee who is also a single mother. "I didn't really know how these things worked and I was afraid that someone would take advantage of me. Now I have a house, a sense of accomplishment, and the possibility of giving my daughter a better life."

Human Resources employee Alejandro Tanco manages the program and states that being part of such a large company is beneficial. "For instance, if there are problems, we can hire lawyers or do whatever it takes to support our employees to ensure construction is done properly and on time. We are able to assist individuals who might have more difficulty accomplishing the task alone."

All the houses in the program are new. Quebecor World negotiates with contractors to get the best deal for the employees. Often this means added amenities or included transfer costs, which can be significant. Once or twice a year, contractors are invited to the plant cafeteria to put on a home show. Employees get to meet them and discuss location and various aspects of the construction process.

Although the homes are modest (about 50 sq m), not entirely finished (they come with electricity and plumbing connections only), the owners can finish the inside themselves and add their own individual touches. It may seem like a lot of work, but the empowerment that home ownership brings is well worth the effort.

Our employees are our greatest asset.

The process can even change people. Leonardo and Nery Infanti are expecting their first child and moved into their new house a year ago. Nery says the benefits of the program are more than just a roof over their head and the security of owning something. "I have seen a great change in Leonardo since we moved in. The process has taught us to save and to be more disciplined," she says. "And because we finish the house ourselves, we add to its value."

Company initiatives like this one demonstrate the commitment to our employees. This program has several benefits. In addition to promoting Quebecor World as a good corporate citizen, this program is good for business; the employees feel part of a larger family; they are respected, which in turn gives them a sense of ownership and pride in their work.

Quebecor World Plants Will Earn ISO 14001 Certification

ISO 14001 is an internationally recognized environmental management system.

Although Quebecor World is the industry leader on environmental issues, we never stop searching for ways to improve our environmental performance. Many customers have told us that one reason they choose to do business with us is our strong commitment to the environment. We continually meet and exceed government standards.

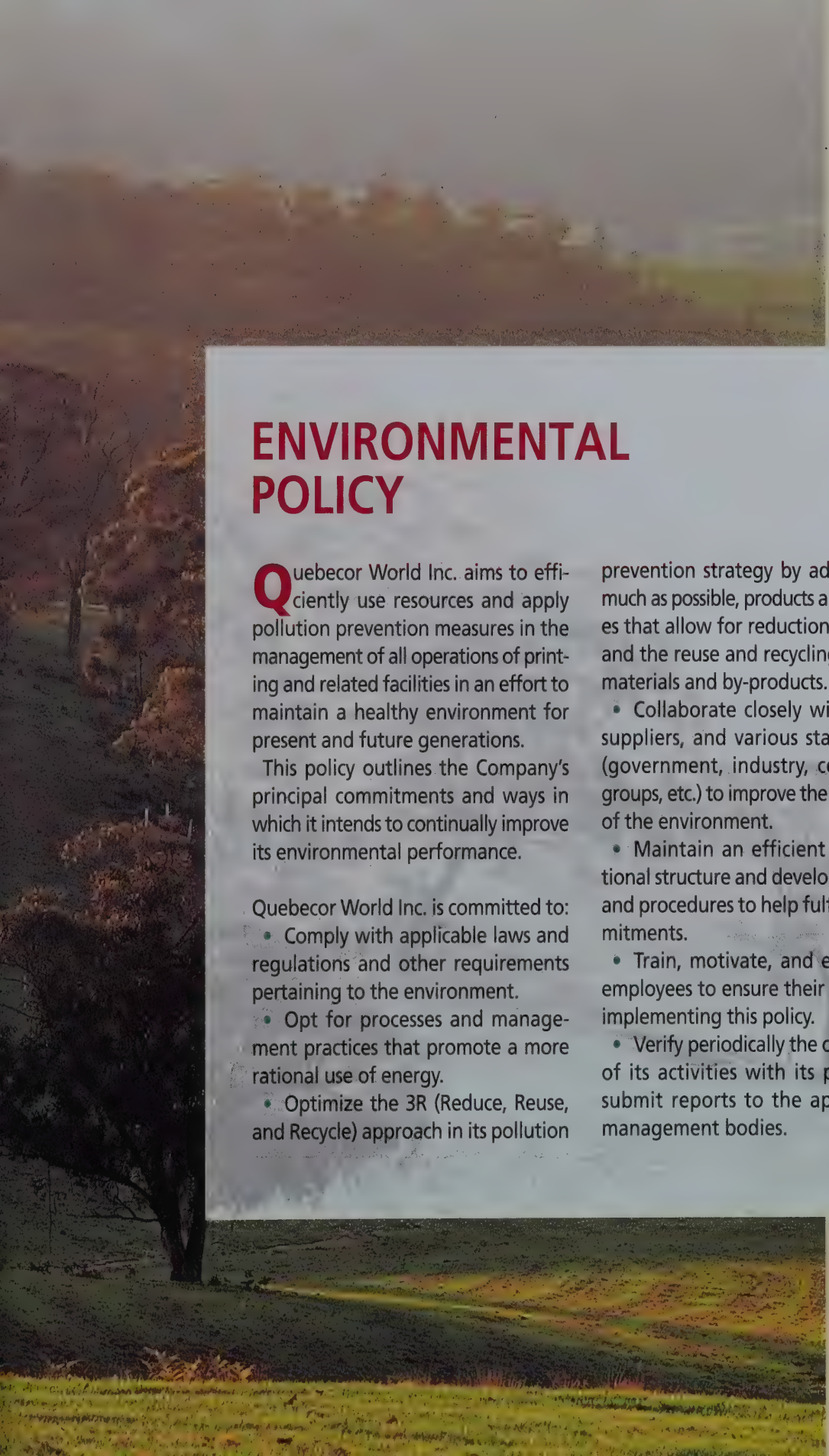
The merger of Quebecor Printing and World Color created the opportunities for environmental synergies in the United States that will benefit our operations worldwide. Last May, environmental coordinators from plants throughout Quebecor World USA met in Dyersburg, Tennessee, to share best practices and learn from each other's experience. During the two-day Sharing Solutions Conference, the coordinators discussed subjects ranging from recycling ink and processing waste water to using ecological wash solutions for press blankets.

Similar conferences are now being planned for Canada and Europe. We are also setting up an environment site on the Quebecor World Intranet so that management teams around the world can share environmental solutions on a regular basis.

We will reach another important milestone in our environmental program during 2001, when several Quebecor World plants begin the process toward ISO 14001 certification, an internationally recognized environmental management system, the goal of which is continual improvement in environmental management. Plants must meet demanding international standards in environmental practices to earn the ISO 14001 designation.

Many customers have told us that one reason they choose to do business with us is our strong commitment to the environment.

Three plants in Canada, France, and the United States will use a special environmental software package to implement ISO 14001. Based on their experience, the software will be customized to make it easier for Quebecor World plants to earn certification in the future.



ENVIRONMENTAL POLICY

Quebecor World Inc. aims to efficiently use resources and apply pollution prevention measures in the management of all operations of printing and related facilities in an effort to maintain a healthy environment for present and future generations.

This policy outlines the Company's principal commitments and ways in which it intends to continually improve its environmental performance.

Quebecor World Inc. is committed to:

- Comply with applicable laws and regulations and other requirements pertaining to the environment.
- Opt for processes and management practices that promote a more rational use of energy.
- Optimize the 3R (Reduce, Reuse, and Recycle) approach in its pollution prevention strategy by adopting, as much as possible, products and processes that allow for reduction at source, and the reuse and recycling of waste materials and by-products.
- Collaborate closely with clients, suppliers, and various stakeholders (government, industry, community groups, etc.) to improve the protection of the environment.
- Maintain an efficient organizational structure and develop methods and procedures to help fulfill its commitments.
- Train, motivate, and educate its employees to ensure their support in implementing this policy.
- Verify periodically the compliance of its activities with its policy and submit reports to the appropriate management bodies.

Quebecor World
Corporate Governance

Board of Directors
(as of February 15, 2001)

Reginald K. Brack was appointed to the Board of Directors in 2000. Mr. Brack is the Chairman Emeritus of Time Inc. Until 1997, he served as Chairman of Time Inc., and between 1986 and 1994, as both Chairman and Chief Executive Officer. He brings a wealth of experience and knowledge to the Company during a time when it doubled the size of its U.S. operations and significantly expanded magazine operations.

The Board of Directors of the Company held five meetings during 2000. The general mandate of the Board is to assume the stewardship of the overall administration of the Company and to oversee the management of its operations. In 2000, the Directors increased the Company's quarterly dividend from $0.07 to $0.08 in April and to $0.10 in December. The Directors also approved a normal course issuer bid for a maximum of eight million shares, representing 9.5 percent of the public float for the Subordinate Voting Shares.

The Executive Committee, which exercises all the powers of the Board of Directors in respect of the direction of the business and affairs of the Company, subject to certain restrictions under applicable laws, met 15 times in 2000.

The Audit Committee, which consists entirely of outside Directors, held five meetings. It reviewed the Company's annual and quarterly financial statements, monitored the audit services rendered by the Company's independent auditors, and reviewed their recommendations and management's efforts to follow up on same, and ensured that the Company establishes adequate financial and accounting controls.

The Compensation Committee is responsible for the establishment of the general compensation policies pertaining to wages, bonuses, and any other form of compensation for all the employees of the Company. It also establishes the compensation of the senior executives of the Company and administers the Executive Stock Option Plan and the Employee Stock Purchase Plan. The Compensation Committee met five times in 2000. On February 22, 2000, the Compensation Committee of the Board approved the introduction of an Employee Stock Purchase Plan for the U.S.-based employees. The plan was approved on October 26, 2000, by the Board of Directors.

The Pension Committee, which is made up entirely of outside Directors, reviews the policies proposed by the Company's pension fund managers and the performance of such funds. The Pension Committee also receives and examines the annual reports tabled by the Company's various pension committees, participates in the selection of suitable fund managers, and reviews the recommendations of said committees. The Pension Committee met four times in 2000.

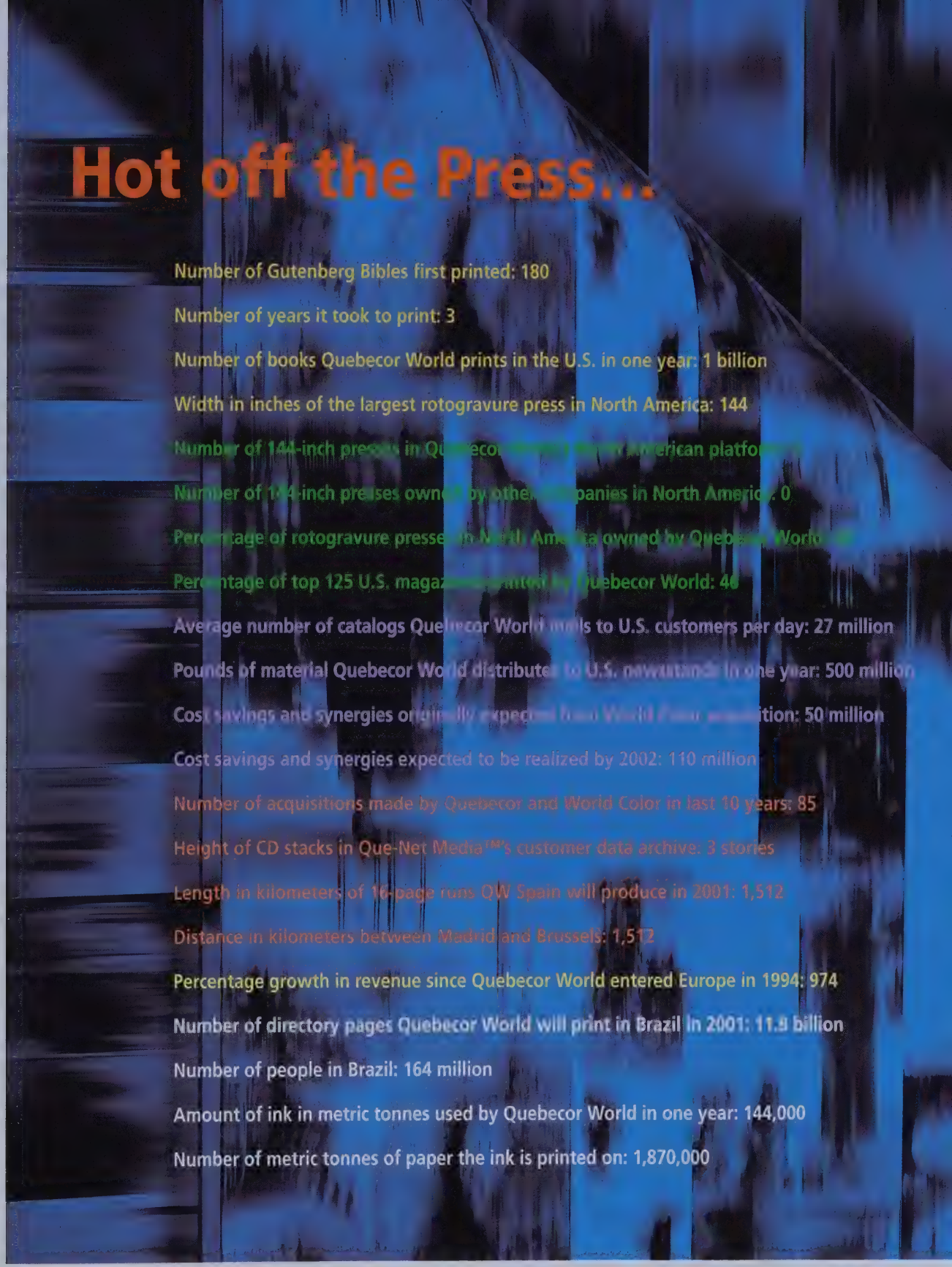
Board of Directors
Jean Neveu, Chairman
Pierre Karl Péladeau, Vice Chairman
Reginald K. Brack
Charles G. Cavell
Robert Coallier
Marcello A. De Giorgis
Raymond Lemay
Eileen A. Mercier
The Right Honorable Brian Mulroney
Robert Normand
Érik Péladeau
Alain Rhéaume

Executive Committee
Jean Neveu, Chairman
Charles G. Cavell
Raymond Lemay
Érik Péladeau
Pierre Karl Péladeau
Alain Rhéaume

Audit Committee
Robert Coallier, Chairman
Reginald K. Brack
Robert Normand

Compensation Committee
Raymond Lemay, Chairman
Jean Neveu
Érik Péladeau
Pierre Karl Péladeau
Alain Rhéaume

Pension Committee
Raymond Lemay, Chairman
Marcello A. De Giorgis
Eileen A. Mercier



Hot off the Press...

Number of Gutenberg Bibles first printed: 180

Number of years it took to print: 3

Number of books Quebecor World prints in the U.S. in one year: 1 billion

Width in inches of the largest rotogravure press in North America: 144

Number of 144-inch presses in Quebecor World's North American platform: 13

Number of 144-inch presses owned by other companies in North America: 0

Percentage of rotogravure presses in North America owned by Quebecor World: 40

Percentage of top 125 U.S. magazines printed by Quebecor World: 46

Average number of catalogs Quebecor World mails to U.S. customers per day: 27 million

Pounds of material Quebecor World distributes to U.S. newsstands in one year: 500 million

Cost savings and synergies originally expected from World Color acquisition: 50 million

Cost savings and synergies expected to be realized by 2002: 110 million

Number of acquisitions made by Quebecor and World Color in last 10 years: 85

Height of CD stacks in Que-Net Media™'s customer data archive: 3 stories

Length in kilometers of 16-page runs QW Spain will produce in 2001: 1,512

Distance in kilometers between Madrid and Brussels: 1,512

Percentage growth in revenue since Quebecor World entered Europe in 1994: 974

Number of directory pages Quebecor World will print in Brazil in 2001: 11.9 billion

Number of people in Brazil: 164 million

Amount of ink in metric tonnes used by Quebecor World in one year: 144,000

Number of metric tonnes of paper the ink is printed on: 1,870,000

Office of the Chief Executive Officer

Office of the Chief Executive Officer

The Office of the CEO was established to oversee Quebecor World's strategic direction and long-term development.

Members of the Office are, from left to right:
Christian M. Paupe, Executive Vice President;
Marc L. Reisch, President and Chief Executive Officer, North America;
Charles G. Cavell, President and Chief Executive Officer;
Pierre Karl Péladeau, Vice Chairman of the Board;
Christopher H. Rudge, Chairman and Chief Executive Officer, Que-Net Media™; Executive Vice President, Marketing, Communications, and International Development

Directors and Officers

BOARD OF DIRECTORS

Jean Neveu
Chairman, Quebecor World Inc. and Quebecor Inc.
Pierre Karl Péladeau
Vice Chairman, Quebecor World Inc; President and Chief Executive Officer, Quebecor Inc.
Reginald K. Brack
Chairman Emeritus, Time Inc.
Charles G. Cavell
President and Chief Executive Officer, Quebecor World
Robert Coallier
Vice President and Chief Financial Officer, Molson Inc.
Marcello A. De Giorgis
Corporate Director
Raymond Lemay
Corporate Director
Eileen A. Mercier
President, Finvoy Management Inc.; Vice-Chairman of the Board, Workplace Safety and Insurance Board (Ontario)
The Right Honorable Brian Mulroney
Principal Associate, Ogilvy Renault
Robert Normand
Corporate Director
Érik Péladeau
Chairman of the Board, Quebecor Communications Inc.
Alain Rhéaume
Executive Vice President and Chief Financial Officer and Treasurer, Microcell Telecommunications Inc.

CORPORATE OFFICERS

Office of the Chief Executive Officer

Pierre Karl Péladeau
Vice Chairman of the Board
Charles G. Cavell
President and Chief Executive Officer
Christian M. Paupe
Executive Vice President, Chief Administrative Officer, and Chief Financial Officer
Marc L. Reisch
President and Chief Executive Officer, Quebecor World North America
Christopher H. Rudge
Chairman and Chief Executive Officer, Que-Net Media™; Executive Vice President, Marketing, Communications and International Development

Quebecor World International

John A. Bertuccini
President, Quebecor World Europe
Guy Trahan
President, Quebecor World Latin America

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Rick Lane
Executive Vice President
Heidi Nolte
Senior Vice President, Chief Information Officer
Marc Shapiro
Senior Vice President, Human Resources
Kevin Hayden
Vice President, Operations Planning
Paul Carousso,
Vice President, Controller

Book Services

Jerry W. Allee
President

Commercial and Direct

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President
Aivars Beikmanis
President, Specialty Group, Canada

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John Paloian
President

Retail and Sunday Magazine

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East Group Canada

Richard Tremblay
President

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General Manager, Oberndorer Druckerei (Austria)

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General Manager, Quebecor Impreandes Columbia
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Miguel Saez
General Manager, Grafica Monte Alban, Mexico

QUE-NET MEDIA™

Christopher H. Rudge
Chairman and Chief Executive Officer
Jack A. Schuh
President and Chief Operating Officer

Quebecor World
Shareholder Information

Five-Year Financial Review

Income, Cash Provided from Operating Activities, and Free Cash Flow (in millions of US dollars)

	2000	Q4	Q3	Q2	Q1	1999	1998	1997	1996
Revenues	6,521.1	1,707.8	1,633.8	1,549.1	1,630.4	4,952.5	3,808.2	3,483.2	3,110.3
Cost of sales	4,991.7	1,294.6	1,246.0	1,178.2	1,272.9	3,846.2	2,979.9	2,736.4	2,401.8
Selling, general, and administrative expenses	459.5	117.6	101.1	114.9	125.9	347.9	287.4	267.7	252.5
Depreciation and amortization	345.1	79.1	84.3	88.3	93.4	285.9	223.8	200.8	185.6
Operating income before restructuring and other charges	724.8	216.5	202.4	167.7	138.2	472.5	317.1	278.3	270.4
Restructuring and other charges	(2.7)	(2.7)	–	–	–	180.0	–	–	–
Financial expenses	231.5	56.4	59.5	54.5	61.1	122.2	64.3	66.9	62.5
Income taxes	137.7	43.2	38.0	33.6	22.9	48.3	72.9	67.2	68.6
Minority interest	2.4	0.8	0.5	0.7	0.4	12.7	3.2	2.0	2.6
Goodwill amortization, net of taxes	60.5	12.5	15.7	16.1	16.2	31.8	17.0	11.2	9.9
Net income before restructuring and other charges	*293.4*	*104.3*	*88.7*	*62.8*	*37.6*	*204.5*	*159.7*	*131.0*	*126.8*
Net income	295.4	106.3	88.7	62.8	37.6	77.5	159.7	131.0	126.8
Non-cash items in net income:									
Depreciation of property, plant, and equipment	325.3	76.1	80.2	82.4	86.6	269.7	214.2	193.9	182.0
Amortization of goodwill and deferred charges	80.3	15.5	19.8	22.0	23.0	48.0	26.6	18.1	13.5
Amortization of deferred financing costs	8.3	2.0	2.1	1.3	2.9	1.6	1.2	2.0	1.6
Non-cash portion of restructuring and other charges	(7.0)	(7.0)	–	–	–	111.3	–	–	–
Deferred income taxes	91.8	37.9	18.3	23.1	12.5	(8.6)	29.6	26.7	28.3
Other	(8.4)	(1.1)	(7.1)	(1.3)	1.1	8.4	(6.5)	7.5	10.2
Changes in non-cash balances related to operations:									
Trade receivables	128.6	137.9	(149.5)	59.6	80.6	175.8	20.1	(80.3)	10.7
Inventories	8.8	93.0	(93.2)	9.0	–	34.2	29.0	(43.3)	52.3
Trade payables and accrued liabilities	18.6	170.9	28.1	(23.7)	(156.7)	(44.9)	(49.8)	58.5	4.8
Other current assets and liabilities	(48.6)	(49.5)	19.7	(19.8)	1.0	33.0	(4.7)	16.2	6.0
Other non-current assets and liabilities	24.7	28.8	10.4	1.5	(16.0)	4.1	(5.5)	(13.0)	(50.0)
Cash provided from operating activities	917.8	610.8	17.5	216.9	72.6	710.1	413.9	317.3	386.2
Free cash flow from operations*	747.3	541.3	0.1	163.0	42.9	552.6	124.8	(0.8)	153.0

* Cash provided from operating activities, less capital expenditures net of proceeds from disposals, and preferred share dividends.

Consolidated Balance Sheets (in millions of US dollars)

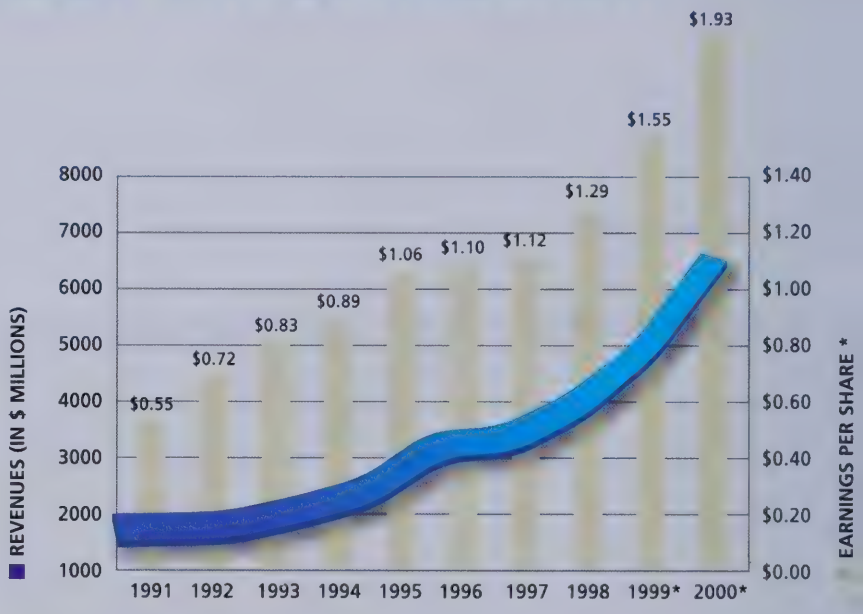
	2000	Q4	Q3	Q2	Q1	1999	1998	1997	1996
Assets									
Cash and cash equivalents	52.7	52.7	3.2	3.9	3.3	3.6	0.3	0.4	0.8
Trade receivables	587.1	587.1	712.3	586.4	653.2	743.3	695.9	683.9	590.5
Inventories	461.4	461.4	550.2	470.9	484.0	486.3	233.0	253.2	183.7
Deferred income taxes	58.1	58.1	41.1	32.2	36.4	36.4	9.4	9.3	9.4
Prepaid expenses	26.0	26.0	28.6	29.9	30.1	27.8	25.1	20.9	17.6
Current assets	1,185.3	1,185.3	1,335.4	1,123.3	1,207.0	1,297.4	963.7	967.7	802.0
Property, plant, and equipment	2,683.0	2,683.0	2,671.6	2,795.7	2,833.0	2,895.3	2,222.0	2,072.9	1,745.2
Goodwill	2,459.5	2,459.5	2,464.8	2,474.4	2,500.5	2,526.7	639.4	430.6	361.4
Other assets	156.9	156.9	156.2	136.4	147.3	153.7	81.2	71.5	71.1
	6,484.7	6,484.7	6,628.0	6,529.8	6,687.8	6,873.1	3,906.3	3,542.7	2,979.7
Liabilities and shareholders' equity									
Bank indebtedness	3.1	3.1	3.7	3.1	4.0	5.6	15.6	19.0	–
Trade payables and accrued liabilities	1,155.5	1,155.5	945.9	903.2	940.9	1,103.1	606.4	640.1	520.7
Income and other taxes	6.0	6.0	41.0	17.8	41.6	38.8	42.2	33.0	33.5
Current portion of long-term debt and convertible notes	87.2	87.2	38.1	41.4	72.9	77.3	51.1	52.0	43.2
Current liabilities	1,251.8	1,251.8	1,028.7	965.5	1,059.4	1,224.8	715.3	744.1	597.4
Long-term debt	2,015.6	2,015.6	2,480.7	2,435.4	2,555.6	2,582.9	1,140.9	913.3	767.3
Other liabilities	290.8	290.8	331.0	294.8	288.9	290.2	155.7	145.6	155.3
Deferred income taxes	326.1	326.1	246.2	285.5	266.1	255.0	255.3	226.2	206.6
Convertible notes	105.9	105.9	151.2	167.0	166.7	179.8	58.2	60.0	83.9
Minority interest	20.6	20.6	19.9	22.2	22.0	22.0	17.4	17.8	15.6
Shareholders' equity	2,473.9	2,473.9	2,370.3	2,359.4	2,329.1	2,318.4	1,563.5	1,435.7	1,153.6
	6,484.7	6,484.7	6,628.0	6,529.8	6,687.8	6,873.1	3,906.3	3,542.7	2,979.7

Quebecor World

Shareholder Information

OPERATING PERFORMANCE

Revenues at Quebecor World have grown at an annual compound rate of 17 percent over the past 10 years, making it the largest print media company in the world. The Company will continue to meet the ever-increasing global demand for printed material by further consolidating the industry.

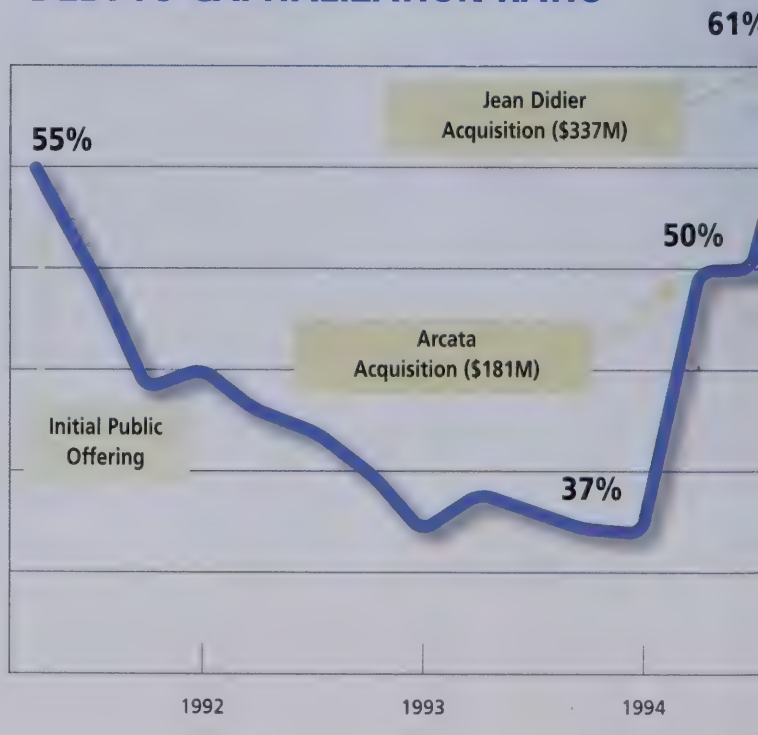


* Before restructuring and other charges

BALANCE SHEET RENEWAL

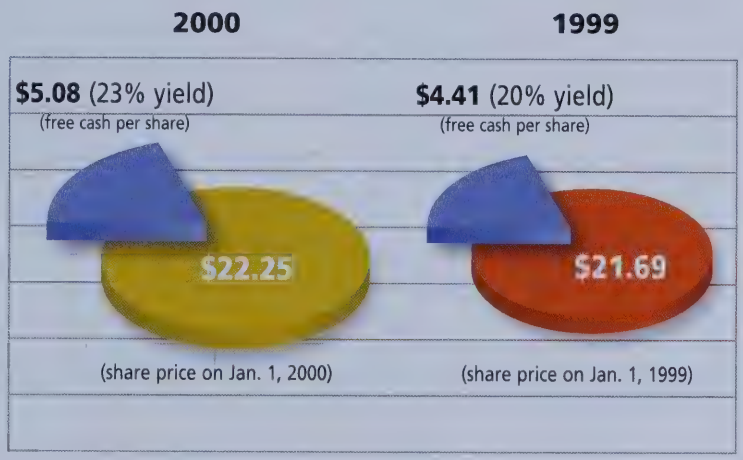
Quebecor World has a strong track record of managing financial leverage to create shareholder value. The Company's debt-to-capitalization ratio was 62 percent following the purchase of World Color Press and was reduced to 47 percent less than 18 months later. Strong free cash flow combined with ready access to the equity capital markets provide some of the tools required to be the leading industry consolidator.

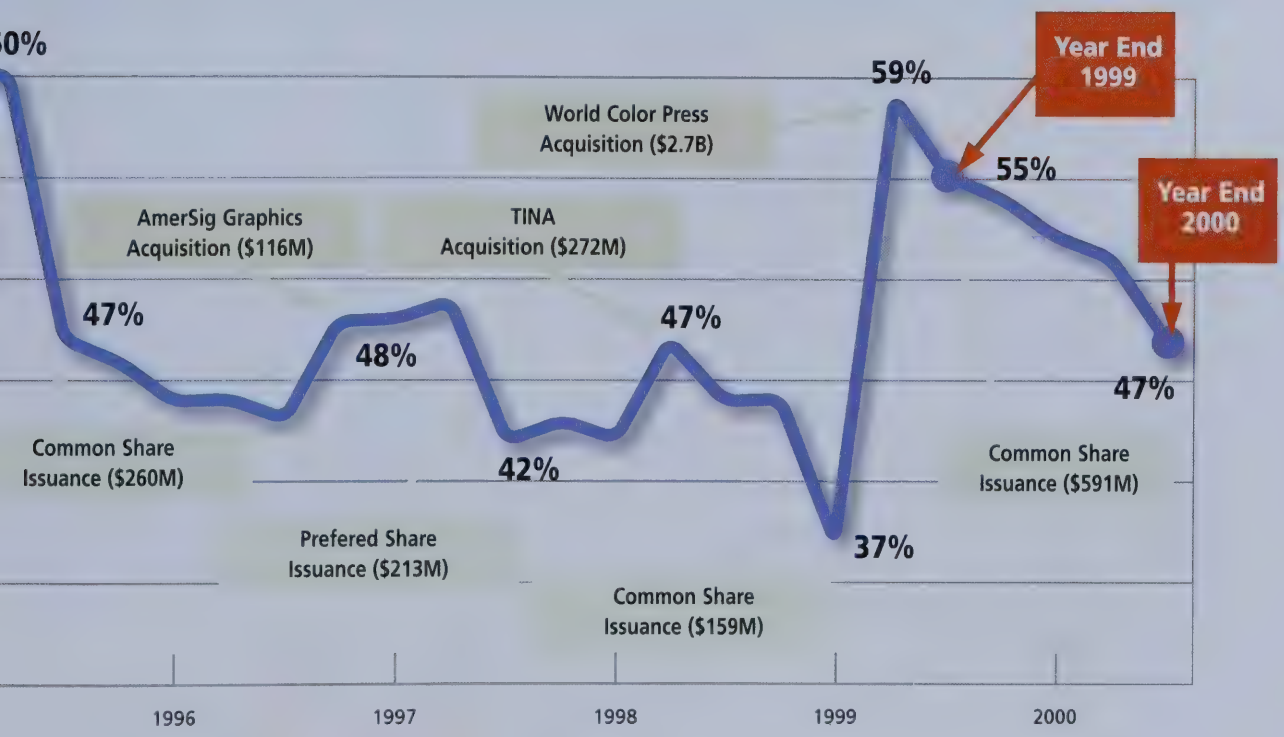
DEBT-TO-CAPITALIZATION RATIO



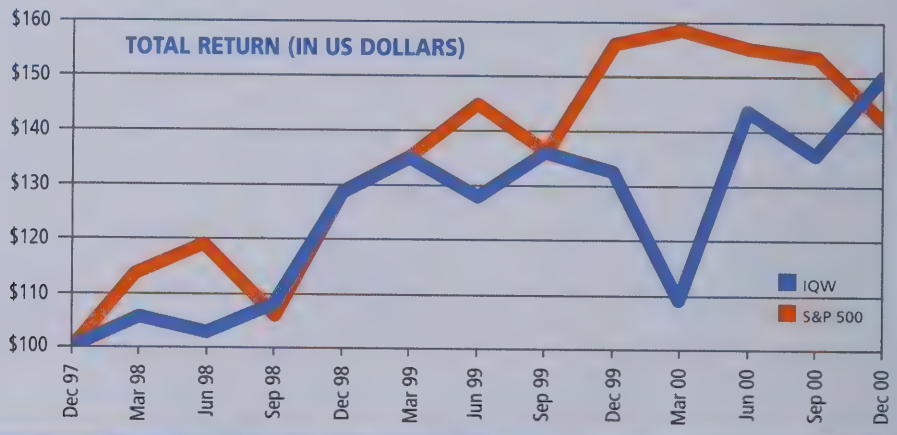
FREE CASH FLOW YIELD

In 2000, free cash flow of $5.08 per share provided a 23 percent yield on an investment in Quebecor World. In 1999, free cash flow of $4.41 per share represented a yield of 20 percent on an investment in Quebecor World shares on January 1, 1999. These exceptional yields provided by Quebecor World come from its capacity to generate free cash flows.





Quebecor World
Shareholder Information



Toronto Stock Exchange (in Cdn dollars)

	2000		1999	
	High	Low	High	Low
Q1	$34.20	$25.60	$35.20	$31.50
Q2	$37.55	$26.60	$36.45	$31.85
Q3	$39.10	$32.90	$36.70	$31.85
Q4	$38.20	$32.50	$35.00	$31.40
Year	$39.10	$25.60	$36.70	$31.40

New York Stock Exchange (in US dollars)

	2000		1999	
	High	Low	High	Low
Q1	$23.50	$17.56	$23.13	$20.81
Q2	$25.44	$18.50	$24.81	$21.69
Q3	$26.25	$22.31	$24.38	$21.63
Q4	$25.19	$21.38	$23.75	$21.63
Year	$26.25	$17.56	$24.81	$20.81

Stock Listing
Quebecor World Inc. Subordinate Voting Shares are listed on the New York Stock Exchange and on the Toronto Stock Exchange under the symbol IQW.

Annual Meeting
The Annual Meeting of Shareholders will be held at 10:00 am on April 4, 2001, at:
Le Windsor
1170 Peel Street
Montreal, Quebec

Annual Information Form
The Annual Information Form may be obtained by writing to:
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Montreal, Quebec
H3C 4M8

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1800 McGill College
Montreal, Quebec
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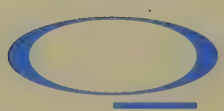

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A Dawn of a New Era

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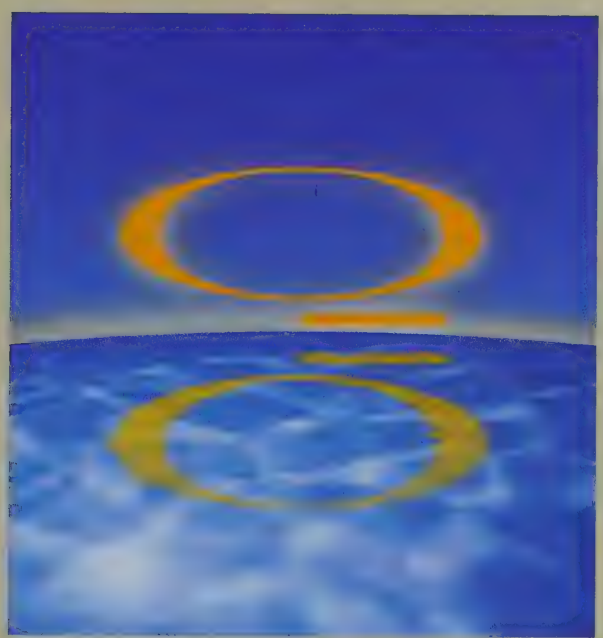

Quebecor World

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Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

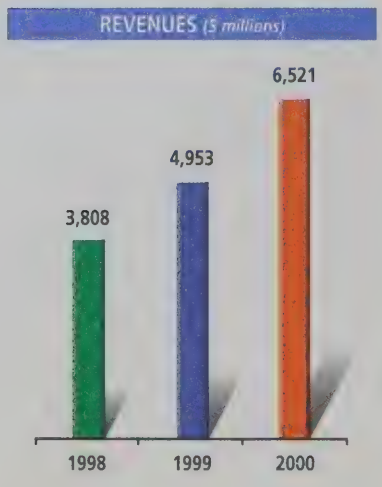
Quebecor World is the largest commercial printer in the world.

We are a market leader in most of our product categories, which include magazines, retail inserts, catalogs, specialty printing and direct mail, books, pre-media, logistics and other value added services, and directories. We have facilities in the United States, Canada, France, the United Kingdom, Spain, Switzerland, Sweden, Finland, Austria, Brazil, Chile, Argentina, Peru, Colombia, Mexico and India.

The Company's strategy during the year 2000 was to continue to focus on the integration of operations, from North American and International perspectives, and on maximization of free cash flow.

ACQUISITION AND DISPOSITIONS

In pursuing our vision of strengthening our core business, the Company has completed the following acquisition and divestitures:



In 1999, we acquired World Color Press, Inc. ("WCP"). It was the largest business acquisition ever undertaken in the history of the commercial printing industry.

The transaction took place as follows: On July 12, 1999, through an indirect wholly owned subsidiary Printing Acquisition Inc. ("Acquisition Inc."), we entered into a merger agreement with WCP, the second largest commercial printer in the United States. On July 16, 1999, through Acquisition Inc., we commenced a tender offer to acquire up to 23.5 million shares of WCP's common stock at a price of $35.69 per share. On August 20, 1999, Acquisition Inc. acquired 19.2 million or 50.4% of WCP's common shares. On October 8, 1999, we completed the merger through conversion of the remaining 49.6% of the outstanding common shares of WCP into 1.2685 of our Subordinate Voting Shares and $8.18 in cash per WCP's share. The total consideration was $2.7 billion, including the assumption of debt and the issuance of approximately 25 million of our Subordinate Voting Shares. The cash consideration for the WCP shares totaled $853 million and was financed through drawdowns on our acquisition bank facility.

Based on the above, we have consolidated WCP's results since August 20, 1999, with a minority interest equivalent to 49.6% of WCP's outstanding common stock recorded for the period of August 20, 1999 through October 8, 1999.

In 2000, we completed our program initiated during 1998 to exit non-core operations.

In August 2000, we sold the operating assets of our North American CD-ROM replication business.

In October 1999, we sold the operating assets of our BA Banknote Division.

In September 1998, we sold our check and credit card businesses.

RESULTS OF OPERATIONS

Financial highlights

We achieved another record year in terms of revenues and operating margins.

Revenues in 2000 were $6,521 million from $4,953 million in 1999 and $3,808 million in 1998. The increases of 32% in 2000 and 30% in 1999 compared to prior years were largely attributable to the inclusion of WCP operations. Earnings before interest, taxes, depreciation, amortization (EBITDA) before restructuring and other charges increased by 41% or $312 million to $1,070 million in 2000. EBITDA in 1999 and 1998 was $758 million and $541 million respectively. The improvement in the EBITDA margins to 16.4% in 2000 from 15.3% in 1999 and 14.2% in 1998 was due primarily to the contribution from acquisitions as well as efficiencies in retooled plants in the United States. Operations also benefited from organic growth. In 2000, operating income from Europe was unfavorably impacted by foreign exchange translation and fixed costs related to the shutdown of a plant during the second quarter of 2000. North American operating margins improved to 11.4% in 2000 from 9.8% in 1999 and 7.8% in 1998, despite the sale of the North American CD-ROM replication business in 2000, the operating assets of BA Banknote in 1999 and the check and credit card businesses in 1998.

Net income before restructuring and other charges rose to $293 million, or $1.93 per share from $205 million, or $1.55 per share in 1999 and $160 million, or $1.29 per share

Quebecor World is the LARGEST commercial printer in the WORLD, achieving another RECORD YEAR in terms of revenues and operating margins.

in 1998. Cash earnings per share (earnings per share adjusted to exclude goodwill amortization) before restructuring and other charges were $2.34 in 2000, an increase of 30% when compared to $1.80 in 1999. It stood at $1.44 in 1998. Operating margins attained a record level of 11.1% in 2000, from 9.5% in 1999 and 8.3% in 1998. This improvement is a result of the acquisition of WCP, as well as organic growth coming principally from the Canadian operations.

In 2000, we completed our program initiated during 1998 to exit non-core operations. In 1998, we sold the check and credit card businesses. In 1999 this program continued with the sale of the operating assets of our BA Banknote Division. We closed the sale of our North American CD-ROM replicating and fullfilment facilities in 2000.

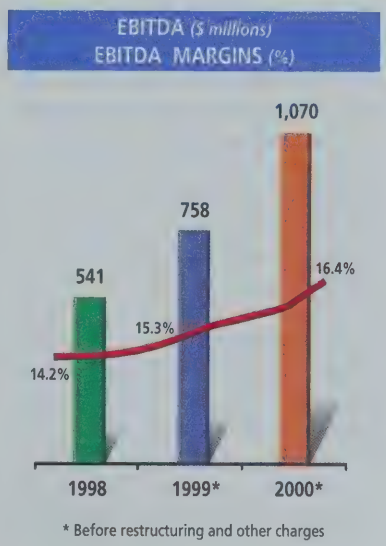
Revenues from North America represented 84% (United States 68% and Canada 16%) of our total 2000 revenues. The increase in revenues from the United States over 1998 was mostly the result of the acquisition of WCP. Approximately 87% of our total 2000 operating income was generated from the North American operations (72% United States and 15% Canada). The remaining revenues and operating income were contributed primarily by European operations and acquisitions in Austria and Spain in 1999, but were unfavorably impacted by the decrease in the Euro.

Included in our revenue numbers is the value of the paper we purchase for many of our print customers. Our primary raw material is paper, the pricing of which can fluctuate and these fluctuations can cause major swings in revenues and cost of sales. Generally, higher and lower paper prices are passed on to our customers. In 1998, paper prices declined from previous years and availability was plentiful for most grades of paper. Early in 1999, paper prices in general continued to decline moderately. In the fourth quarter of 1999, and through the first three quarters of 2000, paper prices increased almost quarterly (depending on grade). This was due primarily to increased paper demand growth accompanied by only minor increases in global paper capacity. We believe that a slowdown in general economic conditions and moderating paper demand starting in the fourth quarter of 2000 and continuing through 2001, paper prices should level off in 2001. In the longer term, we expect that there will be fewer adjustments in paper prices due to paper companies' determination to manage the supply side of their business more effectively.

Revenues

Consolidated revenues increased by $1,568 million or 32% to $6,521 million in 2000 from prior year revenues of $4,953 million and by $1,145 million in 1999 from $3,808 million in 1998. These increases were due primarily to the acquisition of WCP in August 1999, as discussed above. In North America, when compared to prior years, the revenue base was maintained despite plant closures and disposal of non-core businesses. Internal growth in Europe was mostly offset by the unfavorable conversion of foreign-currency denominated sales into U.S. dollars.

Magazine revenues continued to be our largest product category, representing 28% of our total revenues in 2000, and 29% in 1999 and 1998. During 2000, the Company focused on pre-media business and created the new entity Que-Net Media™ and despite the



Financial Condition and Results of Operations (cont'd)

sale of the CD-ROM replication, the bank notes, the check and credit card businesses, the category pre-media, logistics and other value added services remained stable due to increased focus on identifying items out of other revenue categories. The variation in revenues from retail inserts is also partially explained by the decrease in demand in the American market during the last quarter of 2000.

Operating expenses

Cost of sales increased $1,146 million or 30% to $4,992 million in 2000 from $3,846 million in 1999. In 1998, cost of sales was $2,980 million. Gross profit margins improved to 23.5% in 2000 from 22.3% in 1999 and 21.7% in 1998 due to efficiencies from retooling certain plants in the United States and net cost savings and synergies resulting from the integration of acquired businesses.

Selling, general and administrative expenses increased to $459 million in 2000 from $348 million in 1999 and $287 million in 1998. The increase in 2000 and 1999 was due primarily to the acquisition of WCP. In 2000, the gain on sale of non-core businesses and investment of $13 million and non-operating expenses related to plant shutdown, equipment relocation and installation of $12 million were included in selling, general and administrative expenses. In addition, the increase in 1999 was impacted by the inclusion of a $13 million gain on the sale of the check and credit card businesses recorded in 1998. As a percentage of revenues, these expenses in 2000 and 1999 stood at 7.0%, a meaningful decrease compared with 7.5% in 1998 due to benefits derived from cost saving initiatives such as the consolidation of general and administrative activities in the United States.

Depreciation and amortization was $345 million in 2000 compared to $286 million in the previous year and $224 million in 1998. The increase primarily reflects the depreciation of plants, property and equipment from business acquisitions and capital spending in prior years. We expect to spend approximately $250 million in 2001 on capital expenditures.

In general, operating income was unfavorably impacted by foreign exchange translation, mainly for Europe, and fixed costs related to shutdown of plants during the first half of 2000.

Financial expenses increased to $231 million in 2000 from $122 million in 1999 and $64 million in 1998. The increase of 89% and 90% in 2000 and 1999 respectively was a result of the total debt incurred and assumed in acquisitions as well as the increase in short-term interest rates compared with prior years. In 2000, a gain on redemption of debentures of $4 million was recorded in reduction of financial expenses. The EBITDA coverage ratio was 4.6 times in 2000 compared to 6.2 in 1999 and 8.4 in 1998.

Income taxes of $138 million for 2000 represented an effective tax rate of 27.8%, compared to 28.4% in 1999 and 28.8% in 1998. The decrease in tax rates over the last three years is due primarily to a decrease in international statutory rates resulted from our expansion into jurisdictions where the tax rate was lower. The effect of the improvement in 1999 over 1998 of the international tax rate was reduced by the lower deduction for the use of tax loss

BREAKDOWN OF REVENUES

Description	2000	2000	1999	1998
BY GEOGRAPHIC SEGMENT	*($ millions)*			
United States	4,475	68%	59%	54%
Canada	1,050	16%	20%	24%
North America	5,525	84%	79%	78%
Europe	890	14%	19%	20%
Latin America	112	2%	2%	2%
Intersegment	(6)	–	–	–
	6,521	100%	100%	100%
BY PRODUCT				
Magazines	1,817	28%	29%	29%
Retail inserts	1,168	18%	21%	21%
Catalogs	1,066	16%	15%	16%
Speciality printing and direct mail	920	14%	11%	10%
Books	791	12%	13%	13%
Pre-media, logistics and other value-added services	406	6%	6%	7%
Directories	353	6%	5%	4%
	6,521	100%	100%	100%

Quebecor World's operating performance generated an all-time HIGH free cash flow

carryforwards against taxable income.

Minority interest was $2 million in 2000 compared to $13 million in 1999 and $3 million in 1998. The decrease of $11 million in 2000 was explained by the one-time increase in 1999 related to the 49.6% minority interest recorded for WCP results from August 20 to October 8, 1999.

Goodwill amortization net of taxes increased by 91% or $29 million to $61 million in 2000 from $32 million in 1999. In 1999, goodwill amortization increased by 87% from $17 million in 1998. These increases resulted from the $1.9 billion in goodwill created in 1999 principally by the WCP acquisition, which is being amortized over 40 years.

Restructuring and other charges

In 1999, we recorded restructuring and other charges totaling $180 million pre-tax or $127 million after-tax. The restructuring and other charges were recognized primarily to integrate the WCP acquisition into our operations and also to reorganize our operations in France. The integration strategy included plans to consolidate duplicate facilities and functions, with a particular focus on increasing plant specialization, exit certain manufacturing facilities that were underperforming, streamline administrative management and the sales force and sell certain non-core operations. During 2000, the Company implemented other restructuring initiatives resulting in termination of employees for $18 million and write-down of assets for $10 million. These initiatives covered further integration of European facilities following difficult market conditions as well as overall administrative and production functions and increased focus on conversion to digital pre-media. Non-cash items mainly covered further assets rendered idle as a result of the significant restructuring undertaken in 1999. In addition, the Company determined that $31 million of the original restructuring charge established in 1999 would not be utilized because of changes in management's decisions following the need for the capacity available to meet customer demand as well as newly contracted business.

Synergies and Cost Savings

In the year 2000 the consolidation initiatives implemented to date resulted in annualized synergies and cost savings reaching approximately $60 million which exceeded our original business plan of $50 million. As previously discussed, workforce reduction, manufacturing consolidation and additional costs of goods sold savings contributed to this achievement. In addition, we reduced administrative costs by centralizing corporate head offices and unifying sales force in North America. In 2001, based on initiatives already undertaken, we expect to bring total annualized savings to a level of $90 million and to almost $110 million by 2002.

LIQUIDITY AND CAPITAL RESOURCES

Operating performance reached an all-time high free cash flow. Free cash flow from operations represents the cash provided from operating activities, less capital expenditures net of proceeds from disposals and preferred share dividends.

Operating activities

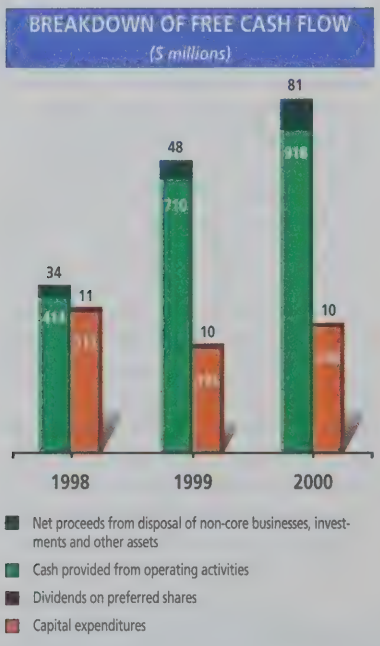
During 2000, we generated a high level of cash provided from operating activities, reaching $918 million compared to $710 million in 1999 and $414 million in 1998. This increase in 2000 was achieved with a further decrease in non-cash working capital and in spite of disbursements related to restructuring costs and the settlement of acquisition-related liabilities. At December 31, 2000, working capital was ($67) million versus $73 million at December 31, 1999 and $248 million at December 31, 1998. The decrease in 2000 of $140 million was mainly due to the increase of the asset securitization program by $100 million and to additional accrued expenses generated from the completion of the purchase equation of WCP. The Company also continued to focus on the improvement of the collection of the accounts receivable. In 1999, the increase in cash provided from operating activities was due primarily to business acquisitions and a decrease in non-cash working capital.

We originally entered into a U.S. securitization program in 1999 to a maximum limit of $408 million which included the WCP asset securitization program in place since 1997. In 2000, the program's limit was increased from $408 million to $510 million. Accordingly, trade receivables at December 31, 2000 were reduced by $100 million. We also maintained our 1998 Canadian asset securitization program allowing for a maximum of Cdn$125 million. At December 31, 2000, $500 million and Cdn$108 million ($72 million) were outstanding under the respective asset securitization programs.

Financing activities

Financing activities include net borrowings, dividend payments and share repurchases. Our net borrowing level declined by $608 million in 2000 compared with an increase of $241 million in 1999 and

Financial Condition and Results of Operations (cont'd)



$162 million in 1998. The decline in 2000 was the result of strong free cash flow from operations. The increase in prior years was the result of the refinancing of our bank facilities for the business acquisition in 1999 and higher capital spending in 1998.

In 2000, we repurchased for cancellation, under the Normal Course Issuer Bid announced on April 4, 2000, a total of 1,751,508 Subordinate Voting Shares for a total cost, net of premium on puts sold, of approximately Cdn$59 million ($42 million), at an average cost per share of Cdn$33.81 ($23.75). We have committed to repurchase for cancellation 648,823 shares at an average price per share of approximately Cdn$37.10 ($24.74) for settlement in January 2001 and 1,025,000 shares at an average price per share of approximately Cdn$36.04 ($24.04) for settlement prior to April 2001. The issuer bid was funded with cash proceeds, totalling $57 million for year of 2000, from the sale of non-core businesses including the sales of MDC Communication Corporation shares, and operating assets of our North American CD-ROM replication business, other assets made redundant as a result of the manufacturing platform and the realization of accelerated monetization of secondary assets.

Dividends paid to shareholders of Multiple Voting Shares and Subordinate Voting Shares totaled $0.33 per share compared to $0.28 per share in 1999 and $0.24 per share in 1998, an increase of 18% over 1999 and 38% from 1998. We also paid dividends of Cdn$1.25 per share on our First Preferred Shares Series 2 in 2000, 1999 and 1998.

Investing, divesting and restructuring activities

Capital expenditures, net of proceeds from disposals, totaled $218 million compared to $169 million and $312 million in 1999 and 1998, respectively. Spending levels in 2000 reflected the purchase of additional pre-media, press and bindery equipment which are part of an ongoing program to grow our business through incremental manufacturing capacity, support customer requirements, maintain technological leadership, efficient plants, and continually increase productivity. Under this program, we invested $242 million in 2000 including $121 million on new equipment and $55 million on replacement of existing equipment and environmental compliance. The balance was spent on redeployment of equipment from facilities being shut down to those where increased productivity and cost efficiencies could be achieved. In 2001, capital expenditures are expected to be approximately $250 million to maintain our existing assets and to invest in new projects for expansion in selected markets.

In 2000, we completed our initiative to sell operations and assets no longer aligned with our core business. In 2000, we generated a net cash proceed of $44 million from the sale of the operating assets of our North American CD-ROM replication business, $13 million from the disposal of our investment in MDC Communication Corporation and $24 million from disposal of buildings and other assets. In 1999, we generated $18 million from the sale of our BA Banknote Division and $33 million from selling our check and credit card businesses in 1998. In addition, we generated, in 1999, $29 million from the disposal of investment and other assets, mainly in the United States.

In 2000, we invested an amount of Cdn$20 million ($13.5 million) in Nurun Inc., an affiliated company, to support the needs of our customers and to further develop supply efficiencies.

In 1999, we made a major business acquisition of WCP as previously mentioned and several strategic acquisitions in Spain, Austria and Argentina. During the year ended December 31, 1998, we made a number of acquisitions to complement our operations including the acquisition of Tryckinvest i Norden AB ("TINA"), the largest printer in Northern Europe.

During 2000, the Company pursued the activities underlying the restructuring plan. During the year, restructuring and other charges consisted primarily of $82 million for the write-down of impaired and idle

In 2000, Quebecor World has SURPASSED its TARGET for debt-to-capitalization ratio.

assets. The workforce reduction costs, representing $29 million, included severance, benefits and other personnel costs. Other charges included $8 million of costs to exit facilities, and $9 million of other and special charges. In 1999, $20 million related to write-down of impaired and idle assets while workforce reduction costs represented $9 million. In addition, during the year, we closed seven facilities, after having closed five facilities in 1999 and three others in 1998, in order to improve margins and return on capital employed.

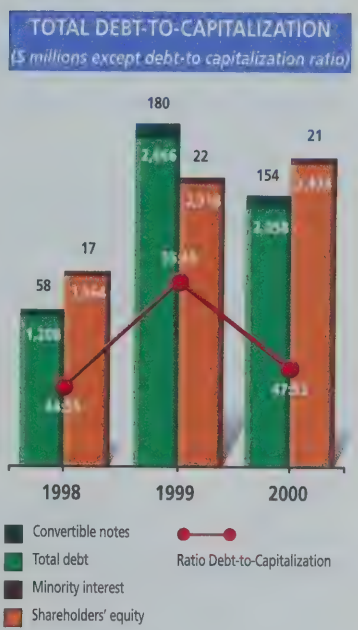
FINANCIAL POSITION

The Company had committed for 2000 a debt-to-capitalization ratio of 50:50 and a free cash flow of $450 million. Target is surpassed.

At December 31, 2000, our debt-to-capitalization ratio decreased to 47:53 from 55:45 at December 31, 1999 and was 44:56 at December 31, 1998. Our total debt at December 31, 2000, 1999 and 1998 was $2,209 million, $2,840 million and $1,250 million respectively, including convertible notes for a principal amount of $154 million in 2000, $180 million in 1999 and $58 million in 1998. Our weighted average borrowing rate was 7.3% at December 31, 2000 compared to 6.7% at December 31, 1999 and to 5.6% at December 31, 1998, as a result of higher floating rates of interest. The increase in our debt in 1999 was primarily due to the $923 million of debt incurred for business acquisitions and the $1,258 million of debt assumed in the acquisition of WCP. The operating performance generated a free cash flow of $747 million in 2000, far exceeding the Company's target. During 2000, the Company focused on the majority of its free cash flow from operations, approximately $600 million, on paying down bank borrowings and dividends to stockholders of equity shares. In 1999 and 1998, we generated $553 million and $125 million respectively of free cash flow from operations. Our securitization program amounted to $572 million as of December 31, 2000 compared with $469 million and $81 million as of December 31, 1999 and 1998.

During 2000, we continued to focus on paying down and refinancing bank borrowings. On July 12, 2000, we issued Senior Notes for a principal amount of $250 million comprised of two tranches. The first tranche of $175 million bearing interest rate of 8.42% matures on July 15, 2010, while the second tranche of $75 million bearing interest rate of 8.52% matures on July 15, 2012. A second private placement took place on September 13, 2000 for a principal amount of $121 million comprised of two tranches. The first tranche of $91 million bears interest at 8.54% and matures on September 15, 2015, while the second tranche of $30 million bearing interest at 8.69% matures on September 15, 2020. Net proceeds from the Notes were used to repay bank borrowings related to the acquisition of WCP. The key objectives of these private placements were to extend maturities of our long-term debt as well as diversify funding sources.

Debt assumed from WCP and outstanding at December 31, 1999 included two senior subordinated notes having fair market values of $302 million and $289 million at the time of acquisition and maturing in 2008 and 2009, respectively. Also assumed were WCP's convertible senior subordinated notes amounting to $144 million at year-end, including the equity portion, and maturing in 2007. Each note outstanding is convertible into the right to receive 30.5884 of our Subordinate Voting Shares at a price of $26.24 per share and $197.25 in cash. During 2000,



we repurchased in the open market $25 million of the notes, as at December 31, 2000 the aggregate principal amount, was $120 million.

We believe that our liquidity, capital resources and cash flows from operations are sufficient to fund planned capital expenditures, working capital requirements and interest and principal payments for the foreseeable future. Our total required principal repayments on long-term debt and convertible notes are $87 million in 2001 and $32 million in 2002.

RISKS AND UNCERTAINTIES

In the normal course of business, we are exposed to changes in interest rates. However, we manage this exposure by having a balanced

Financial Condition and Results of Operations (cont'd)

variety of debt maturities as well as a combination of fixed and variable rate obligations. In addition, we have entered into interest rate swap agreements and cross-currency interest rate swap agreements to manage both our interest rate and foreign exchange exposure. Our interest rate swap agreements hedge obligations with a notional value of $20 million in euros and expire in April 2003. Our cross currency interest rate swap agreements hedge obligations with a notional value of $148 million in Euro and Swedish Krona and expire between January 2001 and December 2002. These agreements did not have a material impact on the financial statements for the periods presented.

We have also entered into foreign exchange forward contracts to hedge the settlement of raw materials and equipment purchases, to set the exchange rate for cross-border sales, and to manage our foreign exchange exposure on certain liabilities. Contracts outstanding at year-end have a notional value of $387 million. As at December 31, 2000, a change of 0.25% in floating interest rate would result in a variation of $3.5 million in our financial expenses.

While the counterpart of these agreements expose us to credit loss in the event of non-performance, we believe that the possibility of incurring such a loss is remote due to the creditworthiness of the parties we deal with. We do not hold or issue any derivative financial instruments for speculative purposes.

Concentrations of credit risk with respect to trade receivables are limited due to our diverse operations and large customer base. As of December 31, 2000, we had no significant concentrations of credit risk. We believe that the product and geographic diversity of our customer base is instrumental in reducing our credit risk, as well as the impact on our local market or product-line demand. We have long-term contracts with most of our largest customers. These contracts generally include price-adjustment clauses based on the cost of paper, ink and labor. We do not believe that we are exposed to an unusual level of customer credit risk.

The primary raw materials used in our manufacturing process are paper and ink. We use our purchasing power as one of the major buyers in the printing industry to obtain the best prices, terms, quality control and service. To maximize our purchasing power, we negotiate with a limited number of suppliers.

In 2000, we had 83 collective bargaining agreements in North America. Of this total, 20 agreements expired in 2000 and 9 are still under negotiation. In addition, 17 collective bargaining agreements covering 2,835 employees will expire in 2001. The Company has approximately 11,000 unionized employees in North America. Moreover, 64 of our plants in North America are non-unionized.

ACCOUNTING POLICIES

Significant differences between generally accepted accounting principles ("GAAP") in Canada and the United States are presented in Note 21 to the Consolidated Financial Statements.

In 1999, the Company adopted the new disclosure guideline in Canada concerning the statement of cash flows and the presentation of goodwill amortization after income taxes, as recommended by the Canadian Institute of Chartered Accountants.

In 1998 and 1999, the Accounting Standards Board of the Canadian Institute of Chartered Accountants adopted new requirements related to the accounting for employee future benefits and deferred income taxes with the possibility of adoption in the year 2000. Essentially, these new Canadian guidelines are in line with the United States FAS 106 and 109 covering the same subjects. In the first quarter of 2000, we adopted these new accounting guidelines and applied the recommendations retroactively, restating comparative periods, the cumulative effect of these changes is presented in Note 2 to the Consolidated Financial Statements.

SEASONALITY

The operations of our business are seasonal, with approximately two-thirds of historical operating income recognized in the second half of the fiscal year, primarily due to the higher number of magazine pages, new product launches and back-to-school, retail and holiday catalog promotions.

FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, the statements in this document are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecasted results. Those risks include, among others, changes in customer demand for our products, changes in raw material and equipment costs and availability, seasonal changes in customer orders, pricing actions by our competitors and general changes in economic conditions.

Management's Responsibility for Financial Statements

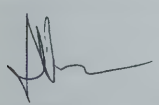
The accompanying consolidated financial statements of Quebecor World Inc. and its subsidiaries, and all the information in this Annual Report, are the responsibility of management and are approved by the Board of Directors of Quebecor World Inc.

These financial statements have been prepared by management in conformity with generally accepted accounting principles in Canada and include amounts that are based on best estimates and judgments. The financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

Management of the Company and of its subsidiaries, in furtherance of the integrity and objectivity of data in the financial statements, have developed and maintain systems of internal accounting controls and support a program of internal audit. Management believes that the systems of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements included in this Annual Report principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Company's annual consolidated financial statements and formulates the appropriate recommendations to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with and without management being present.

These financial statements have been examined by the auditors appointed by the shareholders, KPMG LLP, chartered accountants, and their report is presented hereafter.



Jean Neveu
Chairman of the Board

Christian M. Paupe
Executive Vice President,
Chief Financial Officer and
Chief Administrative Officer

Montreal, Canada
January 26, 2001

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Quebecor World Inc. and its subsidiaries as at December 31, 2000 and 1999 and the consolidated statements of income, shareholders' equity and cash flows for the years ended December 31, 2000, 1999 and 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years ended December 31, 2000, 1999 and 1998 in accordance with generally accepted accounting principles in Canada.

Generally accepted accounting principles in Canada vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations for the years ended December 31, 2000, 1999 and 1998 to the extent summarized in Note 21 to the consolidated financial statements.

KPMG LLP
Chartered Accountants

Montreal, Canada
January 26, 2001

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31
(in thousands of US dollars, except for earnings per share amounts)

	2000	1999	1998
Revenues	**$ 6,521,077**	$ 4,952,537	$ 3,808,155
Operating expenses:			
Cost of sales	**4,991,717**	3,846,183	2,979,926
Selling, general and administrative (note 7(b))	**459,478**	347,893	287,374
Depreciation and amortization	**345,079**	285,992	223,789
	5,796,274	4,480,068	3,491,089
Operating income before restructuring and other charges	**724,803**	472,469	317,066
Restructuring and other charges (note 3)	**(2,729)**	180,000	–
Operating income after restructuring and other charges	**727,532**	292,469	317,066
Financial expenses (note 4)	**231,464**	122,177	64,300
Income before income taxes	**496,068**	170,292	252,766
Income taxes (note 5)	**137,735**	48,356	72,883
Income before minority interest	**358,333**	121,936	179,883
Minority interest	**2,353**	12,701	3,198
Net income before goodwill amortization	**355,980**	109,235	176,685
Goodwill amortization, net of taxes	**60,549**	31,770	17,035
Net income	**$ 295,431**	$ 77,465	$ 159,650
Net income available to holders of preferred shares	**10,104**	10,092	10,136
Net income available to holders of equity shares	**$ 285,327**	$ 67,373	$ 149,514
Earnings per share (note 6)	**$ 1.94**	$ 0.54	$ 1.29
Earnings per share before goodwill amortization	**$ 2.35**	$ 0.79	$ 1.44
Average number of equity shares outstanding (in thousands)	**147,041**	125,393	115,703

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31
(in thousands of shares and of US dollars)

	2000		1999		1998	
	Number	Amount	Number	Amount	Number	Amount
Capital stock:						
Equity Multiple Voting Shares:						
Balance, beginning of year	**62,985**	**$ 152,273**	63,985	$ 158,275	63,985	$ 158,275
Conversion into Subordinate Voting Shares	**(5,599)**	**(33,606)**	(1,000)	(6,002)	–	–
Balance, end of year	**57,386**	**118,667**	62,985	152,273	63,985	158,275
Equity Subordinate Voting Shares:						
Balance, beginning of year	**84,690**	**1,289,091**	51,805	527,381	51,592	525,244
Conversion of Multiple Voting Shares into Subordinate Voting Shares	**5,599**	**33,606**	1,000	6,002	–	–
Issuance of treasury shares for cash (note 14)	**–**	**–**	6,500	159,143	–	–
Shares repurchased (note 14)	**(1,752)**	**(26,138)**	–	–	–	–
Shares issued in connection with the acquisition of World Color Press, Inc. (note 14)	**11**	**258**	25,045	591,317	–	–
Shares issued from stock plans (note 15)	**205**	**3,275**	340	5,248	213	2,137
Balance, end of year	**88,753**	**1,300,092**	84,690	1,289,091	51,805	527,381
First Preferred Shares Series 2:						
Balance, beginning and end of year	**12,000**	**212,482**	12,000	212,482	12,000	212,482
Total – Capital stock		**1,631,241**		1,653,846		898,138
Additional paid-in capital		**88,737**		88,737		88,737
Other paid-in capital: (note 13)						
Balance, beginning of year		**20,831**		–		–
Convertible Senior Subordinated Notes		**–**		20,831		–
Repurchase		**(4,982)**		–		–
Balance, end of year		**15,849**		20,831		–
Retained earnings:						
Balance, beginning of year as restated (note 2)		**650,155**		628,591		507,419
Net income		**295,431**		77,465		159,650
Shares and convertible notes repurchased (notes 13 and 14)		**(16,783)**		–		–
Share issue expenses (net of income taxe $5,646) (note 14)		**–**		(10,484)		–
Dividends:						
Equity shares		**(48,500)**		(35,253)		(27,774)
Preferred shares		**(10,031)**		(10,164)		(10,704)
Balance, end of year		**870,272**		650,155		628,591
Translation adjustment (note 16)		**(132,219)**		(95,137)		(51,948)
Total – Shareholders' equity		**$ 2,473,880**		$ 2,318,432		$ 1,563,518

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31
(in thousands of US dollars)

	2000	1999	1998
Operating activities:			
Net income	**$ 295,431**	$ 77,465	$ 159,650
Non-cash items in net income:			
Depreciation of property, plant and equipment	**325,296**	269,746	214,203
Amortization of goodwill and deferred charges	**80,332**	48,016	26,621
Non-cash portion of restructuring and other charges (note 3)	**(7,031)**	111,312	–
Imputed interest	**4,510**	3,181	1,048
Amortization of deferred financing costs	**8,292**	1,642	1,187
Deferred income taxes (note 5)	**91,815**	(8,663)	29,676
Minority interest	**2,353**	12,701	3,198
Loss (gain) on sale of businesses and investments (note 7)	**(12,581)**	1,851	(13,492)
Other	**(2,709)**	(9,308)	2,758
Changes in non-cash balances related to operations:			
Trade receivables	**128,602**	175,804	20,143
Inventories	**8,791**	34,160	28,986
Trade payables and accrued liabilities	**18,619**	(44,868)	(49,826)
Other current assets and liabilities	**(48,661)**	32,988	(4,735)
Other non-current assets and liabilities	**24,742**	4,115	(5,502)
Cash provided from operating activities	**917,801**	710,142	413,915
Financing activities:			
Net change in bank indebtedness	**(2,139)**	(13,671)	(2,343)
Net proceeds from issuance of capital stock (notes 14 and 15)	**2,909**	153,907	2,137
Repurchases of shares for cancellation (note 14)	**(41,595)**	–	–
Issuance of long-term debt	**387,292**	1,082,701	290,805
Repayments of long-term debt and convertible notes	**(995,105)**	(841,914)	(128,400)
Dividends on equity shares	**(48,500)**	(35,253)	(27,774)
Dividends on preferred shares	**(10,031)**	(10,164)	(10,704)
Dividends to minority shareholders	**(36)**	(761)	(1,503)
Cash (used) provided from financing activities	**(707,205)**	334,845	122,218
Investing activities:			
Acquisitions of businesses, net of cash and cash equivalents (note 7)	**(5,344)**	(923,250)	(260,208)
Net proceeds from disposal of non-core businesses and investments (note 7)	**57,330**	21,911	33,395
Additions to property, plant and equipment	**(242,185)**	(194,708)	(312,123)
Investment in an affiliated company (note 19)	**(13,450)**	–	–
Net proceeds from disposal of other assets	**24,379**	25,532	357
Cash used by investing activities	**(179,270)**	(1,070,515)	(538,579)
Effect of exchange rate changes on cash and cash equivalents	**17,793**	28,832	2,375
Net increase (decrease) in cash and cash equivalents	**49,119**	3,304	(71)
Cash and cash equivalents, beginning of year	**3,613**	309	380
Cash and cash equivalents, end of year	**$ 52,732**	$ 3,613	$ 309

See Notes to Consolidated Financial Statements.

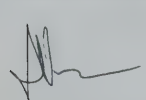
CONSOLIDATED BALANCE SHEETS

December 31
(in thousands of US dollars)

	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	**$ 52,732**	$ 3,613
Trade receivables, net of allowances for doubtful accounts of $17,823 and $18,469 respectively (note 8)	**584,047**	743,305
Receivables from related parties	**3,048**	–
Inventories (note 9)	**461,340**	486,228
Deferred income taxes (note 5)	**58,083**	36,385
Prepaid expenses	**26,024**	27,831
	1,185,274	1,297,362
Property, plant and equipment, net (note 10)	**2,682,983**	2,895,307
Goodwill, net of accumulated amortization of $144,114 and $97,115 respectively	**2,459,510**	2,526,707
Other assets	**156,893**	153,752
	$ 6,484,660	$ 6,873,128
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	**$ 3,129**	$ 5,646
Trade payables	**632,550**	561,342
Accrued liabilities	**522,907**	541,556
Payables to related parties	**–**	273
Income and other taxes	**6,011**	38,751
Current portion of long-term debt and convertible notes (notes 11 and 13)	**87,212**	77,260
	1,251,809	1,224,828
Long-term debt (note 11)	**2,015,554**	2,582,911
Other liabilities (note 12)	**290,788**	290,203
Deferred income taxes (note 5)	**326,137**	255,000
Convertible notes (note 13)	**105,936**	179,752
Minority interest	**20,556**	22,002
Shareholders' equity:		
Capital stock (note 14)	**1,631,241**	1,653,846
Additional paid-in capital	**88,737**	88,737
Other paid-in capital (note 13)	**15,849**	20,831
Retained earnings	**870,272**	650,155
Translation adjustment (note 16)	**(132,219)**	(95,137)
	2,473,880	2,318,432
	$ 6,484,660	$ 6,873,128

See Notes to Consolidated Financial Statements.

On behalf of the Board:



Jean Neveu, Director

Charles G. Cavell, Director

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in thousands of US dollars, except for earnings per share amounts)

1. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of Quebecor World Inc. and all its subsidiaries (the "Company") and are prepared in conformity with generally accepted accounting principles in Canada. Significant differences between generally accepted accounting principles in Canada and the United States are described in note 21.

(b) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments purchased three months or less from maturity and are stated at cost, which approximates market value.

(c) Foreign currency translation

Financial statements of self-sustaining foreign operations are translated using the current rate method. Adjustments arising from this translation are deferred and recorded under a separate caption of shareholders' equity and are included in income only when a reduction in the investment in these foreign operations is realized.

Foreign currency transactions are translated using the temporal method. Translation gains and losses are included in income, except for unrealized gains and losses arising from the translation of long-term monetary liabilities which are deferred and amortized over the remaining life of the related item.

(d) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Canada and the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of pension and other future employee benefits, reserves for environmental matters and restructuring charges, useful lives of assets for depreciation, amortization and evaluation of impairment of assets, provision for income taxes and the determination of fair value of financial instruments. Financial results as determined by actual events could differ from those estimates.

(e) Derivative financial instruments

The Company uses various derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates and interest rates. The Company does not hold or issue any derivative financial instruments for speculative trading purposes. These derivative financial instruments are accounted for on an accrual basis. Realized and unrealized gains and losses are deferred and recognized in income in the same period and in the same financial statement category as the income or expense arising from the corresponding hedged positions.

1. Summary of significant accounting policies (cont'd)

(f) Inventories

Raw materials and supplies are valued at the lower of cost, as determined, using the first in, first out method, or market being replacement cost. Work in process is valued at the lower of cost and net realizable value.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost. Cost represents acquisition or construction costs including preparation, installation and testing charges and interest incurred with respect to the property, plant and equipment until they are ready for commercial production.

Depreciation is provided using the straight-line basis over the estimated useful lives as follows:

Assets	Estimated useful lives
Buildings and leasehold improvements	15 to 40 years
Machinery and equipment	3 to 18 years

(h) Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets of businesses acquired. Goodwill is amortized using the straight-line method over the expected period to be benefited which is 40 years.

The Company monitors its goodwill balances to determine whether any impairment of these assets has occurred. Where circumstances or events indicate a possible inability to recover the carrying amount of goodwill related to a business acquisition, the Company evaluates, on an undiscounted basis, the current and estimated cash flows of the underlying businesses which gave rise to the goodwill. No such events or circumstances have occurred during the year.

(i) Stock option plans

The Company has compensation plans which are described in note 15. No compensation expense is recognized for these plans when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to capital stock.

(j) Reclassifications

Certain reclassifications have been made to prior years' amounts to conform with the basis of presentation adopted in the current year.

2. Accounting changes

Effective January 1, 2000, the Canadian Institute of Chartered Accountants ("CICA") changed the accounting standards relating to the acccounting for income taxes and the accounting for employee future benefits, including pension and non-pension postretirement benefits.

(a) Income taxes

In December 1997, the Accounting Standards Board issued Section 3465 of the CICA Handbook, Income Taxes. Under the asset and liability method of Section 3465, deferred income tax assets and liabilities are recognized for the estimated deferred tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax assets are recognized and if realization is not considered "more likely than not," a valuation allowance is provided.

The Company has adopted in 2000 the new recommendations of the CICA and has applied the provisions of Section 3465 retroactively to January 1989 when the Company was created. The cumulative effect of this change in accounting for income taxes is reported as a restatement to increase the opening balance of retained earnings for the year ended as at December 31, 1998 by $7,982,000.

Accordingly, the financial statements for the years ended December 31, 1999 and 1998 have been restated to comply with the provisions of Section 3465. In addition to restating the deferred income tax accounts, an allocation between short- and long-term portions is now presented in the consolidated balance sheets.

(b) Employee future benefits

In March 1999, the Accounting Standards Board issued Section 3461 of the CICA Handbook, Employee future benefits. Under Section 3461, the Company is required to accrue, during employees' active service period, the estimated cost of pension, retiree benefit payments other than pensions, and workers' compensation. The Company previously expensed the cost of postretirement benefits other than pension, which are principally health care, as claims were incurred by the employees and paid by the Company. In addition, the Company will now use the corridor method to amortize actuarial gains or losses (such as changes in actuarial assumptions and experience gains or losses). Under the corridor method, amortization is recorded only if the accumulated net actuarial gains or losses exceed 10% of the greater of accrued pension benefit obligation and the value of the plan assets. Previously, actuarial gains and losses were amortized on a straight-line basis over the average remaining service life of the employees.

The Company has elected to recognize this change in accounting on the immediate recognition basis retroactively. The cumulative effect of this change in accounting for pension and postretirement benefits other than pension is reported as a restatement which decreased the opening balance of retained earnings for the year ended as at December 31, 1998 by $9,077,000.

(c) Summary effect

The following summarizes the impact of applying Sections 3465 and 3461 on income before income taxes, net income, earnings per share and retained earnings. The presentation of property, plant, and equipment, goodwill, deferred income taxes and other liabilities are also affected by these changes.

2. Accounting changes (cont'd)

(c) Summary effect (cont'd)

	Income before income taxes	Net income	Earnings per share	Retained earnings
December 31, 1999				
As previously reported	$ 171,068	$ 80,056	$ 0.56	$ 653,751
Effect of Section 3465	–	(1,571)	(0.01)	7,119
Effect of Section 3461	(776)	(1,020)	(0.01)	(10,715)
As restated	$ 170,292	$ 77,465	$ 0.54	$ 650,155
December 31, 1998				
As previously reported	$ 253,199	$ 159,560	$ 1.29	$ 629,596
Effect of Section 3465	–	708	0.01	8,690
Effect of Section 3461	(433)	(618)	(0.01)	(9,695)
As restated	$ 252,766	$ 159,650	$ 1.29	$ 628,591
December 31, 1997				
As previously reported				$ 508,514
Effect of Section 3465				7,982
Effect of Section 3461				(9,077)
As restated				$ 507,419

3. Restructuring and other charges

During the year ended December 31, 2000, the Company pursued the activities underlying the restructuring plan which was originally established in the fourth quarter of 1999. In addition, the Company implemented other restructuring initiatives in 2000. These decisions were taken in response to difficult market conditions in Europe as well as a follow through of our digital strategy resulting in termination of employees for $18 million and write-down of assets for $10 million. In 2000, the Company utilized $42 million of restructuring and other charges which consisted of severance payments of $29 million for employees terminated during the year, $8 million for facility closings and $5 million for other special charges.

During 2000, the Company determined that some of the restructuring reserve originally established in the fourth quarter of 1999 would not be utilized because of changes in management's decision.

The change in the reserve requirements stemmed primarily from the following. A significant increase in the requirement for manufacturing capacity to meet expected sale growth and newly contracted business which resulted in the retention of employees targeted for termination of employment, and utilization of equipment originally targeted for shutdown or significantly reduced usage of capacity. As a result, a few plants targeted for shutdown were kept open and equipment continued to be used.

Accordingly, the restructuring reserve reversal was included under the line item restructuring and other charges in the determination of income from operations for the year ended December 31, 2000.

Committed to improving profitability and improving efficiencies and as a result of identifying opportunities to streamline operations and maximize the integration of World Color Press, Inc. ("WCP") acquired in 1999 into its own operations, the Company's management committed itself to a restructuring plan and recorded $180 million of restructuring and other charges in the fourth quarter of 1999. The actions undertaken included a worldwide realignment of manufacturing capacity, the consolidation of administrative offices, and a streamlining of the Company's overhead structure to reduce operating expenses. The restructuring charge excluded any integration costs relating to WCP which were accrued as a liability assumed in the purchase equation.

3. Restructuring and other charges (cont'd)

Restructuring charges consisted of $99.8 million related primarily to property, plant and equipment impaired as a result of the decision to close several facilities; $63.3 million in workforce reduction costs which resulted principally from the closed facilities and the consolidation of administrative offices and sales force and other special charges of $16.9 million.

The fair value of assets determined to be written off was the result of independent appraisals and use of management estimates. The workforce reduction costs primarily included severance, benefits and other personnel-related costs related to involuntary reduction of jobs worldwide related to plant closures, duplicate position eliminations, streamlining administrative management and implementation of a sales force reduction program. Other charges included $8 million for write-down of other assets and $9 million for other costs.

The following table sets forth the Company's 1999 restructuring reserve and activity against the reserve in 2000:

		Write-down of assets	Restructuring charges	Other special charges	Total
Original		$ 99,794	$ 63,286	$ 16,920	$ 180,000
Utilized in 1999	Cash	–	(9,081)	(872)	(9,953)
	Non-Cash	(11,589)	–	(8,402)	(19,991)
Balance as at December 31, 1999		$ 88,205	$ 54,205	$ 7,646	$ 150,056
New		10,099	17,941	–	28,040
Utilized in 2000	Cash	–	(41,496)	(411)	(41,907)
	Non-Cash	(81,873)	–	(4,771)	(86,644)
Reversal	Cash	–	(12,305)	(1,334)	(13,639)
	Non-Cash	(16,375)	–	(755)	(17,130)
Translation adjustment		(56)	(706)	(375)	(1,137)
Balance as at December 31, 2000		$ –	$ 17,639	$ –	$ 17,639

The Company foresees the restructuring plan to be substantially completed by June 2001.

4. Financial expenses

	2000	1999	1998
Interest on long-term debt and convertible notes	$ 192,495	$ 123,519	$ 67,388
Interest on short-term debt	3,253	3,216	5,552
Securitization fees and other	33,165	3,543	2,549
Amortization of deferred financing costs	8,292	1,642	1,187
Exchange gains and other	(2,145)	(3,643)	(947)
	235,060	128,277	75,729
Interest capitalized to the cost of equipment	(3,596)	(6,100)	(11,429)
	$ 231,464	$ 122,177	$ 64,300
Cash interest payments	$ 228,098	$ 110,362	$ 74,037

5. Income taxes

Total income tax expense was allocated as follows:

	2000	1999	1998
Income taxes	$ 137,735	$ 48,356	$ 72,883
Goodwill amortization	(3,724)	(760)	–
Goodwill, for initial recognition of acquired tax benefits that previously were included in the valuation allowance	–	(323)	(688)
Shareholders' equity, for share issue expense	–	(5,646)	–
	$ 134,011	$ 41,627	$ 72,195

Income tax expense (recovery) attributable to income consists of:

	2000	1999	1998
Current	$ 45,920	$ 57,019	$ 43,207
Deferred	91,815	(8,663)	29,676
	$ 137,735	$ 48,356	$ 72,883

In 1999, the deferred income tax expense includes an amount of $53,755,000 of recovery related to the restructuring and other charges.

The following table reconciles the difference between the international statutory tax rate, which corresponds to the weighted average of the Canadian and foreign statutory tax rates of the Company, to the effective tax rate used by the Company in the determination of net income:

	2000	1999	1998
International statutory rates	26.8 %	28.9 %	31.2 %
Increase (reduction) resulting from:			
Change in valuation allowance	(0.5)	(0.5)	(2.1)
Permanent differences	0.8	0.5	1.2
Other	0.7	(0.5)	(1.5)
Effective tax rate	27.8 %	28.4 %	28.8 %
Cash payments for income taxes	$ 51,705	$ 46,444	$ 44,399

5. Income taxes (cont'd)

The tax effects of significant items comprising the Company's net deferred tax liability are as follows:

	2000	1999
Deferred tax assets:		
Operating loss carryforwards	$ 54,240	$ 72,923
Tax credit carryforwards	46,923	48,413
Acquisition and restructuring reserves	49,354	103,047
Pension and postretirement benefits	60,451	59,868
Accrued compensation	35,555	16,961
Intangible assets	9,551	8,307
Other	68,071	77,246
Gross deferred tax assets	324,145	386,765
Deferred tax liabilities:		
Differences between book and tax bases of property, plant and equipment	(461,131)	(473,426)
Other	(96,120)	(92,542)
Gross deferred tax liabilities	(557,251)	(565,968)
Deferred tax asset valuation allowance	(34,948)	(39,412)
Net deferred tax liability	(268,054)	(218,615)
Less current portion deferred tax asset	58,083	36,385
Deferred tax liability	$ (326,137)	$ (255,000)

The 2000 and 1999 amounts above include a valuation allowance of $34,948,000 and $39,412,000 respectively, relating to loss carryforwards and other tax benefits available. The valuation allowance for deferred tax assets as of January 1, 1999 was $39,735,000. The net change in the total valuation allowance for the year ended December 31, 2000 was explained by $2,643,000 allocated to income from operations. In 1999, the variation of the valuation allowance was explained by an increase of $3,007,000 related to the acquisition of WCP and a decrease of $897,000 allocated to income from operations.

Subsequent recognized tax benefits relating to the valuation allowance for future tax assets as of December 31, 2000 will be allocated as follows:

Income tax benefit that would be reported in the consolidated statement of income	$ 13,356
Goodwill	21,592
	$ 34,948

At December 31, 2000, the Company had net operating loss carryforwards for income tax purposes available to reduce future taxable income of $65,787,000, expiring from 2002 to 2019 and $87,871,000 which can be carried forward indefinitely. The Company also had tax credits of $46,923,000 which do not expire.

The Company has not recognized a future tax liability for the undistributed earnings of its subsidiaries in the current and prior years because the Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments.

6. Earnings per share

Earnings per share is calculated by dividing net income available to holders of equity shares by the weighted daily average number of shares outstanding during the year. Net income available to holders of equity shares is computed by subtracting dividends on the preferred shares from net income.

7. Business acquisitions and disposal

(a) Acquisitions

During 2000, the Company paid an amount of $1,045,000 adjusting the purchase price of prior years' business acquisitions in the United States and in Peru. This amount was accounted for as an increase in goodwill. In addition, the Company acquired the remaining minority interest in Inter-Routage in France for an amount of $4,299,000.

In 1999, the Company acquired WCP for a purchase price of $1.5 billion. The transaction took place as follows:

On July 12, 1999, the Company, through an indirect wholly-owned subsidiary, Printing Acquisition Inc. ("Acquisition Inc.") entered into a merger agreement with WCP. On July 16, 1999, the Company, through Acquisition Inc., commenced a cash tender offer to acquire up to 23.5 million shares of WCP's common shares at a price of $35.69 per share. On August 20, 1999, the Company acquired, pursuant to the cash tender offer, 19.2 million or 50.4% of WCP's outstanding common shares for a consideration of $684,516,000.

On October 8, 1999, Acquisition Inc. and WCP merged after approval thereof at a special meeting of WCP's shareholders. The remaining 49.6% of the outstanding common shares of WCP were converted into 1.2685 Subordinate Voting Shares of the Company and $8.18 in cash per WCP share. In addition, each 6% convertible senior subordinated note due 2007 became convertible into the number of the Company's Subordinate Voting Shares and cash that would have been received if such note had been converted prior to October 8, 1999.

The cash portion of the shares purchased totalling $853,435,000 was financed through a drawdown on the $1.25 billion acquisition bank facility combined with drawdowns on the Company's existing revolving bank facility.

During 2000, the Company completed the purchase price allocation and adjusted the assets and liabilities acquired of WCP by $78,626,000. The adjustment related to the fair value of assets impaired resulted in an additional write-off of $52,106,000. Other costs included $21,386,000 for plant shutdowns, $7,277,000 related to workers' compensation which was based on underestimated claims, $21,175,000 for contract termination and write-down of related assets and $23,292,000 for other reserves recorded at acquisition. The tax impact on these adjustments was $46,610,000.

(b) Disposal

In August 2000, the Company sold the operating assets of its North American CD-ROM replication business for total consideration of $68,024,000. The sale price was comprised of $47,024,000 of cash and $21,000,000 in special warrants and promissory notes convertible into the buyer's, Q-Media Services Corporation, shares.The Company realized a gain amounting to $13,393,000 which was recorded as a reduction of selling general and administrative expenses.

8. Asset securitization

During 2000, the Company sold a portion of its Canadian trade receivables on a revolving basis under the terms of a Canadian securitization agreement dated March 1998 (the "Canadian Program"). The Canadian Program limit is Cdn $125,000,000 ($83,400,000). As at December 31, 2000, the amount outstanding under the Canadian program was Cdn $108,000,000 ($72,025,000) (Cdn $100,000,000 ($69,290,000) as at December 31, 1999).

During 2000, the Company also sold a portion of its US trade receivables on a revolving basis under the terms of a US securitization agreement dated December 1999 (the "US Program"). The program limit was increased from $408,000,000 to $510,000,000 on November 24, 2000. The US Program was created by the combination of the existing $204,000,000 WCP program and the $206,000,000 September 1999 program. As at December 31, 2000, the amount outstanding under the US Program was $500,000,000 ($400,000,000 as at December 31, 1999).

8. Asset securitization (cont'd)

The Company entered into these agreements where groups of trade receivables are sold under terms that transfer significant risks and rewards of ownership to third parties; the transaction is recognized as a sale and the trade receivables are accordingly removed from the consolidated balance sheet.

Securitization fees vary based on commercial paper rates in Canada and the United States and, generally, provide a lower effective funding cost than available under the Company's bank facilities.

9. Inventories

	2000	1999
Raw material and supplies	**$ 244,675**	$ 250,088
Work in process	**216,665**	236,140
	$ 461,340	$ 486,228

10. Property, plant and equipment

	Cost	Accumulated depreciation	Net book value
December 31, 2000			
Land	**$ 85,608**	**$ –**	**$ 85,608**
Buildings and leasehold improvements	**746,452**	**122,966**	**623,486**
Machinery and equipment	**2,976,639**	**1,139,315**	**1,837,324**
Projects under development	**136,565**	**–**	**136,565**
	$ 3,945,264	**$ 1,262,281**	**$ 2,682,983**
December 31, 1999			
Land	$ 80,062	$ –	$ 80,062
Buildings and leasehold improvements	777,160	122,885	654,275
Machinery and equipment	3,138,487	1,057,431	2,081,056
Projects under development	79,914	–	79,914
	$ 4,075,623	$ 1,180,316	$ 2,895,307

As at December 31, 2000, the cost of property, plant and equipment and the corresponding accumulated depreciation balance included amounts of $269,505,000 ($315,336,000 as at December 31, 1999) and $130,483,000 ($138,395,000 as at December 31, 1999) respectively, for the assets held under capital leases.

11. Long-term debt

	Maturity	2000	1999
Revolving bank facility $1.0 B (a)	2004-2006	**$ 374,614**	$ 358,002
Commercial paper (b)	2004	**215,038**	229,350
Acquisition bank facility $450 M (c)	2002	**125,000**	925,000
Senior debentures 7.25% (d)	2007	**150,000**	150,000
Senior debentures 6.50% (e)	2027	**150,000**	150,000
Senior Subordinated Notes 8.375% (f)	2008	**258,794**	301,606
Senior Subordinated Notes 7.75% (g)	2009	**290,508**	289,310
Senior Notes 8.42% and 8.52% (h)	2010,2012	**250,000**	–
Senior Notes 8.54% and 8.69% (i)	2015,2020	**121,000**	–
Other debts and capital leases (j)	2001-2010	**119,843**	256,903
		2,054,797	2,660,171
Less current portion		**39,243**	77,260
		$ 2,015,554	$ 2,582,911

(a) In April 2000, the Company extended for an additional year its existing revolving bank facility composed of three tranches. The first tranche of $250,000,000 matures in 2004, and provides liquidity back-up to the Company's $250,000,000 commercial paper program. The second tranche of $250,000,000 matures in 2005, while the third tranche of $500,000,000 matures in 2006. The credit agreement contains certain restrictions, including the obligation to maintain certain financial ratios.

The revolving bank facility bears interest at variable rates based on LIBOR or Bankers' Acceptances rates. At December 31, 2000, the drawings under this facility are denominated in US$ only and bear interest at rates ranging from 7.29% to 7.42%.

(b) At December 31, 2000, Cdn $307,300,000 ($204,938,000) (Cdn $331,000,000 ($229,350,000) as at December 31, 1999) and $10,100,000 (none in 1999) of notes are outstanding under the Commercial paper program bearing interest at rates ranging from 5.75% to 5.94% in Canadian dollars and 6.65% to 6.71% in dollars. At December 31, 2000, the Commercial paper program was classified as long-term, since the Company has the ability and the intent to maintain such debt on a long-term basis and has a credit facility available (see (a) above) until 2004 to replace such debt, if necessary.

(c) In 1999, the Company had negotiated and obtained two additional credit facilities for a total initial limit of $1,250,000,000 to finance the acquisition of WCP. Those facilities consisted of a revolving credit facility of $450,000,000 maturing in August 2002, also available for general corporate purposes, and a term loan of $800,000,000. At the Company's request, $150,000,000 of the term loan was cancelled in December 1999. The balance of $650,000,000 was reimbursed and cancelled during 2000. These facilities bear interest at variable rates based on LIBOR. At December 31, 2000, the drawings under the acquisition bank facility bear interest at rates ranging from 7.56% to 7.70%. The credit agreements contain certain restrictions, including the obligation to maintain certain financial ratios.

(d) The senior debentures mature on January 15, 2007.

(e) The senior debentures mature on August 1, 2027 and are redeemable at the option of the holder at their par value on August 1, 2004.

(f) The Senior Subordinated Notes mature on November 15, 2008 and are redeemable at the option of the Company at a decreasing premium between November 2003 and November 2006, and thereafter at par value until their final maturity. The notes were issued by WCP for an original aggregate principal of $300,000,000. They were subsequently revalued in order to reflect their fair value at the time WCP was acquired, based on the Company's borrowing rate for similar financial instruments. During 2000, the Company repurchased in the open market $42,425,000 face value thereof. The aggregate principal amount of the notes, as at December 31, 2000, is $257,575,000 ($300,000,000 as at December 31, 1999). The notes contain certain restrictions on WCP, including limitations on its ability to incur additional indebtedness.

(g) The Senior Subordinated Notes mature on February 15, 2009. The aggregate principal amount of the notes is $300,000,000 and the notes are redeemable at the option of the Company at a decreasing premium between February 2004 and February 2007, and thereafter at par value until their final maturity. The notes were issued by WCP and revalued in order to reflect their fair value at the time WCP was acquired based on the Company's borrowing rate for similar financial instruments. The notes contain certain restrictions on WCP including limitations on its ability to incur additional indebtedness.

11. Long-term debt (cont'd)

(h) In July 2000, the Company issued Senior Notes for a principal amount of $250,000,000 comprised of two tranches. The first tranche of $175,000,000 matures on July 15, 2010 while the second tranche of $75,000,000 matures on July 15, 2012. These notes contain certain restrictions which are generally less restrictive than those on the revolving bank facility.

(i) In September 2000, the Company issued Senior Notes for a principal amount of $121,000,000 comprised of two tranches. The first tranche of $91,000,000 matures on September 15, 2015 and the second tranche of $30,000,000 matures on September 15, 2020. These notes contain certain restrictions which are generally less restrictive than those on the revolving bank facility.

(j) Other debts and capital leases are partially secured by assets. An amount of $63,935,000 ($184,125,000 as at December 31, 1999) is denominated in Euro currencies and an amount of $6,965,000 ($9,296,000 as at December 31, 1999) in Swedish krona. At December 31, 2000, these debts and capital leases bear interest at rates ranging from 0% to 10.54%.

Principal repayments on long-term debt are as follows:

2001	$ 39,243
2002	32,284
2003	14,242
2004	11,866
2005	220,641
2006 and thereafter	1,736,521

12. Other liabilities

	2000	1999
Pension liability	$ **78,516**	$ 81,046
Postretirement benefits	**67,379**	63,211
Reserve for unfavourable leases acquired	**52,839**	57,563
Workers' compensation accrual	**27,565**	17,184
Reserve for environmental matters	**17,728**	18,759
	244,027	237,763
Other	**46,761**	52,440
	$ **290,788**	$ 290,203

13. Convertible notes

	Maturity	2000	1999
Convertible senior subordinated notes 6.00% (a)	2007	$ **105,936**	$ 128,806
Convertible debentures of a subsidiary (b)	2001	**47,969**	50,946
		153,905	179,752
Less current portion		**47,969**	–
		$ **105,936**	$ 179,752

13. Convertible notes (cont'd)

(a) The convertible senior subordinated notes mature on October 1, 2007. The notes were issued by WCP and revalued in order to reflect their fair value at the time WCP was acquired based on the Company's borrowing rate for similar financial instruments. The portion of the notes which can be converted into equity shares of the Company was valued at the date of acquisition and classified as other paid-in capital. Since the acquisition of WCP by the Company, each $1,000 tranche is convertible into 30.5884 Subordinate Voting Shares of the Company which corresponds to a price of $26.24 per share and $197.25 in cash. The notes are convertible at the option of the holder at any time, and redeemable at the option of the Company at a decreasing premium from October 2000 to the final maturity. Certain conditions apply to a redemption between October 2000 and October 2002. Pursuant to the terms of the convertible notes, the Company repurchased $7,621,000 of the notes in 1999 following a tender offer at par for 100% of the face value of $151,800,000. The Company subsequently repurchased notes in the open market in 2000 for the principal amount of $24,650,000 thereof. The aggregate principal amount of the notes, as at December 31, 2000, is $119,529,000 ($144,179,000 as at December 31, 1999). The number of equity shares to be issued upon conversion of the convertible notes would amount to $3,656,201.

(b) A French subsidiary of the Company issued at the time of its acquisition in 1995 debentures convertible into shares of this subsidiary. The total amount of convertible debentures outstanding as at December 31, 2000 is FF 344,033,000 ($48,784,000) (FF 344,033,000 ($52,671,000) as at December 31, 1999). A portion of this amount has been discounted at an imputed rate of 4.5% in order to reflect the fair value of the debentures at the time the subsidiary was acquired by the Company. The Company has the right to redeem these debentures. In addition, a portion of FF 172,016,000 ($24,392,000) cannot be converted without prior approval by the Company. The convertible debentures bear interest at rates varying between 1.00% and 5.00% and mature on December 31, 2001. The Company's interest in this subsidiary would decrease from 100% to 78.5% if the debentures were converted and the Company did not exercise its redemption rights.

14. Capital stock

(a) Authorized capital stock

Equity shares:

Multiple Voting Shares, authorized in an unlimited number, without par value, carrying ten votes per share, convertible at any time into Subordinate Voting Shares on a one-to-one basis.

Subordinate Voting Shares, authorized in an unlimited number, without par value, carrying one vote per share.

Preferred shares, authorized in an unlimited number, without par value, issuable in series; the number of preferred shares in each series and the related characteristics, rights and privileges are to be determined by the Board of Directors prior to each issue.

The First Preferred Shares Series 2 are entitled to a fixed cumulative preferential cash dividend of Cdn $1.25 per share per annum, payable quarterly from March 1, 1998 to November 30, 2002, if declared. Thereafter, the annual dividend will be a floating adjustable cumulative preferential cash dividend based on prime rate and payable on a monthly basis, if declared.

These preferred shares are redeemable in whole but not in part, at the Company's option, on December 1, 2002. Thereafter, these preferred shares may be converted into Series 3 cumulative redeemable First Preferred Shares under certain conditions.

The Series 3 cumulative redeemable First Preferred Shares will be entitled to a cumulative fixed dividend set by the Company for a five-year period determined before the first initial quarterly dividend which would begin on December 1, 2002. These shares also will have redemption and conversion characteristics similar to the First Preferred Shares Series 2.

(b) Issued and outstanding Subordinate Voting Shares

In 1999, the Company issued 6,500,000 Subordinate Voting Shares for a cash consideration of Cdn $234,000,000 ($159,143,400) before share issue expenses of Cdn $9,860,000 ($6,705,800) recorded as a reduction of retained earnings.

Pursuant to the acquisition of WCP (note 7), the Company issued 10,927 Subordinate Voting Shares in 2000 in addition to the 25,045,200 issued in 1999 for a value determined at $23.61 per share based on an average market price before and after the date of the transaction. There were no share issue expenses in 2000 ($9,424,000 in 1999) recorded as a reduction of retained earnings.

14. Capital stock (cont'd)

(c) Share repurchase program

In 2000, the Company initiated a normal course issuer bid for a maximum of 8 million Subordinate Voting Shares over the period from April 6, 2000 to April 5, 2001. As at December 31, 2000, the Company had repurchased for cancellation 1,751,508 Subordinate Voting Shares for a net cash consideration of Cdn $59,220,000 ($41,595,000).

During 2000, the Company also entered into a series of forward purchase agreements on its repurchased shares. The Company, at its option, may settle these agreements on a net basis in shares of the Company's capital stock, or in cash to the extent that the market price of the Company's capital stock on a settlement date is higher (lower) than the forward purchase price. The net differential is received (paid) by the Company. As at December 31, 2000 the Company had committed to repurchase a total of of 648,823 shares in January 2001 at settled prices averaging Cdn $37.10 ($24.74) per share and 1,025,000 shares in the first half of 2001 at forward prices averaging Cdn $36.04 ($24.04) per share. If these forward agreements were settled based on the December 31, 2000 market price of the Company's capital stock (Cdn $37.60 ($25.08) per share), the Company would be entitled to receive approximately Cdn $1,949,000 ($1,300,000) or 51,835 shares.

In connection with the share repurchase program, the Company sold put options which gave the purchaser the right to sell shares of the Company's capital stock to the Company at specified prices upon exercise of the options. In 2000, the Company received Cdn $1,761,000 ($1,172,000) in premiums from the sale of put options. As at December 31, 2000, no shares of outstanding common stock were subject to repurchase under the terms and conditions of these options.

15. Stock plans

(a) Employee share plans

In 2000, the Company adopted an Employee Stock Purchase Plan ("Plan") in the United States effective January 1, 2001. The number of shares that may be issued and sold under the Plan is limited to 2 million Subordinate Voting Shares, subject to adjustments in the event of stock dividends, stock splits and similar events. The purpose of the Plan is to give eligible employees in the United States the opportunity to acquire shares of the Company's capital stock for up to 4% of their gross salaries and to have the Company contribute, on the employees' behalf, a further amount equal to 17.5% of the total amount invested by the employee.

Effective September 1, 1998, an Employee Share Investment Plan ("ESIP") was implemented giving eligible employees in Canada the opportunity to subscribe for up to 4% of their gross salaries to purchase shares of the Company's capital stock on the open market and to have the Company invest, on the employee's behalf, a further 20% of the amount invested by the employee. Participation at December 31, 2000 was 2,038 employees (1,822 at December 31, 1999). The total number of ESIP shares purchased on behalf of employees, including the Company's contribution, was 121,975 in 2000 and 87,270 in 1999.

(b) Stock option plans

Under stock option plans, a total of 8,511,416 Subordinate Voting Shares have been reserved for senior executives and other employees. As of December 31, 2000, the number of Subordinate Voting Shares related to the stock options outstanding is 4,297,478. The subscription price is equal to the share market price at the date the options were granted. The options may be exercised during a period not exceeding ten years from the date they have been granted.

The number of stock options outstanding fluctuated as follows:

	2000		1999		1998	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Balance, beginning of year	**4,127,254**	**$ 19.82**	2,577,303	$ 16.06	1,377,195	$ 13.06
Issued	**252,495**	**20.68**	1,812,669	23.04	1,530,151	18.39
Exercised	**(82,271)**	**7.77**	(252,796)	13.12	(194,799)	8.98
Cancelled	**–**	**–**	(9,922)	18.04	(135,244)	15.79
Balance, end of year	**4,297,478**	**$ 19.73**	4,127,254	$ 19.82	2,577,303	$ 16.06

15. Stock plans (cont'd)

(b) Stock option plans (cont'd)

The following table summarizes information about stock options outstanding at December 31, 2000:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life (in years)	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
$ 10 - $ 13	366,877	3.5	$ 10.85	366,877	$ 10.85
$ 13 - $ 16	415,893	6.6	15.06	233,996	14.85
$ 16 - $ 19	812,421	6.8	17.67	519,162	17.51
$ 19 - $ 22	1,182,287	8.2	21.44	397,645	21.59
$ 22 - $ 25	1,520,000	8.8	22.91	380,000	22.91
	4,297,478	7.6	$ 19.73	1,897,680	$ 17.83

16. Translation adjustment

The change in the translation adjustment included in shareholders' equity is the result of the fluctuation of the exchange rates on translation of net assets of self-sustaining foreign operations not denominated in US dollars.

17. Financial instruments and concentrations of credit risk

(a) Fair value of financial instruments

The carrying values of cash and cash equivalents, trade receivables, bank indebtedness, trade payables and accrued liabilities approximate their fair values because of the short-term nature of these items.

The following table summarizes the book value and fair value at December 31, 2000 and 1999 of those financial instruments having a fair value different from their book value as at December 31. The fair values of the financial liabilities are estimated based on discounted cash flows using year-end market yields of similar instruments having the same maturity. The fair values of the derivative financial instruments are estimated using year-end market rates, and reflect the amount that the Company would receive or pay if the instruments were closed out at these dates.

	2000		1999	
	Book Value	Fair Value	Book Value	Fair Value
Financial liabilities				
Long-term debt [1]	**$ (2,054,797)**	**$ (2,056,424)**	$ (2,660,171)	$ (2,632,833)
Convertible notes [1]	**(153,905)**	**(159,074)**	(179,752)	(178,579)
Derivative financial instruments				
Interest rate swap agreements	**–**	**(70)**	–	(755)
Foreign exchange forward contracts	**–**	**(10,740)**	–	8,739
Cross currency interest rate swaps	**–**	**1,250**	–	1,621
Equity forwards	**–**	**1,300**	–	–

[1] Including current portion

17. Financial instruments and concentrations of credit risk (cont'd)

(b) Foreign exchange risk management

The Company enters into foreign exchange forward contracts and cross-currency interest rate swaps to hedge the settlement of raw materials and equipment purchases, to set the exchange rate for cross-border sales and to manage its foreign exchange exposure on certain liabilities. The amounts of outstanding contracts at year-end, presented by currency, are included in the tables below:

Foreign exchange forward contracts

	2000		1999	
Currencies (sold / bought)	Notional amounts [1]	Average rate	Notional amounts [1]	Average rate
$ / Cdn $				
Less than 1 year	**$ 122,589**	**0.6898**	$ 108,135	0.6557
Between 1 and 3 years	**161,250**	**0.7008**	78,245	0.7117
Euro / $				
Less than 1 year	**13,976**	**1.0633**	90,641	0.9737
Between 1 and 3 years	**2,110**	**0.9033**	4,898	0.9026
SEK / $				
Less than 1 year	**16,266**	**9.6400**	17,026	8.3286
GBP / Euro				
Less than 1 year	**40,805**	**0.6074**	13,865	0.6608
Between 1 and 3 years	**2,266**	**0.6222**	–	–
Other				
Less than 1 year	**27,005**	**–**	29,232	–
Between 1 and 3 years	**372**	**–**	–	–
	$ 386,639		$ 342,042	

[1] Transactions in foreign currencies translated into dollars using the closing exchange rate as at December 31, 2000 and 1999.

Cross-currency interest rate swaps

	2000		1999	
Currencies (sold / bought)	Notional amounts [2]	Average rate	Notional amounts [2]	Average rate
Euro / $				
Less than 1 year	**$ 88,600**	**1.0551**	$ 26,621	0.3715
Between 1 and 3 years	**25,524**	**1.1355**	10,468	0.9578
SEK / $				
Less than 1 year	**18,371**	**8.1650**	18,371	8.1650
Between 1 and 3 years	**15,236**	**9.8450**	18,371	8.1650
	$ 147,731		$ 73,831	

[2] Transactions in foreign currencies translated into dollars using the closing exchange rate as at December 31, 2000 and 1999.

17. Financial instruments and concentrations of credit risk (cont'd)

(c) Interest rate risk management

The Company has entered into interest rate swaps to manage its interest rate exposure. The Company is committed to exchange, at specific intervals, the difference between the fixed and floating interest rate calculated by reference to the notional amounts. The Company pays the fixed rate and receives the floating rate on a notional amount of $19,674,000 denominated in Euro matching the payment terms of a capital lease maturing in April 2003.

(d) Credit risk

The Company is exposed to credit losses resulting from defaults by counterparties when using financial instruments.

When the Company enters in foreign exchange contracts and fixed interest rate agreements, the counterparties are international and Canadian banks having a minimum credit rating of A- by Standard & Poor's or of A3 by Moody's. The Company does not foresee any failure by the counterparties in meeting their obligations.

The Company, in the normal course of business, continuously monitors the financial condition of its customers and reviews the credit history of each new customer. At December 31, 2000, no customer balance represents a significant portion of the Company's consolidated trade receivables. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and other information on the state of the economy.

The Company believes that the product and geographic diversity of its customer base is instrumental in reducing its credit risk, as well as the impact on the Company of fluctuations in local market or product-line demand. The Company has long-term contracts with most of its largest customers. These contracts usually include price adjustment clauses based on the cost of paper, ink and labor. The Company does not believe that it is exposed to an unusual level of customer credit risk.

18. Commitments and contingencies

(a) Leases

The Company rents premises and equipment under operating leases which expire at various dates up to 2014 and for which minimum lease payments total $549,586,000.

Annual minimum payments under these leases for each of the next five years are as follows:

2001	$ 97,835
2002	78,613
2003	66,026
2004	52,722
2005	51,198

Rental expenses for operating leases were $102,762,000, $64,002,000 and $42,332,000 for the years 2000, 1999 and 1998.

(b) Equipment

As at December 31, 2000, the Company had commitments to purchase equipment for a total value of approximately $22,064,000.

18. Commitments and contingencies (cont'd)

(c) Environment

The Company is subject to various laws, regulations and government policies principally in North America and Europe, relating to health and safety, to the generation, storage, transportation, disposal and environmental emissions of various substances, and to environment protection in general. The Company believes it is in compliance with such laws, regulations and government policies, in all material respects. Furthermore, the Company does not anticipate that maintaining compliance with such environmental statutes will have a material adverse effect upon the Company's competitive or consolidated financial position.

19. Related party transactions

The Company entered into the following transactions, at prices and conditions prevailing on the market, with related parties and were accounted for at the exchange value:

	2000	1999	1998
Revenues	**$ 19,021**	$ 17,293	$ 15,006
Purchases	**13,540**	24,423	26,037
Interest (income) expense	**(45)**	(138)	28
Management fees charged by the parent company, Quebecor Inc.	**3,638**	8,499	1,807

In 2000, the Company entered into a strategic agreement with Nurun Inc. ("Nurun"). The agreement includes a commitment from the Company to use Nurun services (E-procurement, intranet based application and others) for a minimum of $40,000,000 for a five-year period and an investment of Cdn $20,000,000 ($13,450,000) which represents 500,000 units, each unit consisting of one share and one five-year warrant convertible into a common share of Nurun, at an issue price and exercise price, respectively, of Cdn $40.00 ($26.90) corresponding to the closing price of Nurun's common shares on June 13, 2000.

As at December 31, 1999, fees charged by the parent company included an amount of $6,500,000 in connection with the acquisition of WCP and the related issuance of equity as well as management fees charged in the normal course of business.

20. Pension plans and other postretirement employee benefits

The Company maintains defined benefit pension plans for its employees. The Company's policy is to maintain its contribution at a level sufficient to cover benefits. Actuarial valuations of the Company's various pension plans were performed during the last three years.

The Company provides postretirement benefits to eligible employees. The costs of these benefits which are principally health care are accounted for during employees' active service period.

20. Pension plans and other postretirement employee benefits (cont'd)

The following table provides a reconciliation of the changes in the plans' benefit obligations and fair value of plan assets for the fiscal years ended December 31, 2000 and December 31, 1999 and a statement of the funded status as at December 31, 2000 and December 31, 1999:

	Pension Benefits		Postretirement Benefits	
	2000	1999	**2000**	1999
Change in benefit obligation				
Benefit obligation, beginning of year	**$ 573,105**	$ 378,980	**$ 66,327**	$ 32,856
Service cost	**21,239**	19,891	**699**	720
Interest cost	**45,290**	32,586	**5,255**	3,300
Plan participants' contributions	**3,335**	3,476	**482**	355
Plan amendments	**483**	–	**–**	–
Acquisitions	**–**	191,387	**–**	34,759
Curtailment loss (gain)	**293**	(1,871)	**(685)**	–
Settlement loss	**242**	–	**–**	–
Actuarial loss (gain)	**25,494**	(24,849)	**3,735**	(2,827)
Change in assumptions	**8,622**	–	**822**	–
Benefits paid	**(50,451)**	(29,522)	**(6,014)**	(3,149)
Settlement paid	**(378)**	–	**–**	–
Foreign currency changes	**(2,861)**	3,027	**(171)**	313
Benefit obligation, end of year	**$ 624,413**	$ 573,105	**$ 70,450**	$ 66,327
Change in plan assets				
Fair value of plan assets, beginning of year	**$ 553,085**	$ 330,051	**$ –**	$ –
Actual return on plan assets	**44,675**	44,559	**–**	–
Employer contributions	**18,647**	19,888	**5,532**	2,794
Plan participants' contributions	**3,335**	3,476	**482**	355
Settlement loss	**–**	(2,228)	**–**	–
Settlement paid	**(378)**	–	**–**	–
Acquisitions	**–**	179,844	**–**	–
Benefits paid	**(50,451)**	(29,522)	**(6,014)**	(3,149)
Foreign currency changes	**(2,948)**	7,017	**–**	–
Fair value of plan assets, end of year	**$ 565,965**	$ 553,085	**$ –**	$ –
Reconciliation of funded status				
Funded status	**$ (58,448)**	$ (20,020)	**$ (70,450)**	$ (66,327)
Unrecognized actuarial loss (gain)	**(8,627)**	(40,967)	**1,228**	(3,135)
Unrecognized net transition asset	**(4,160)**	(4,596)	**–**	–
Unrecognized prior service cost	**2,618**	1,982	**–**	–
Valuation allowance	**(1,104)**	(4,277)	**–**	–
Net amount recognized	**$ (69,721)**	$ (67,878)	**$ (69,222)**	$ (69,462)

20. Pension plans and other postretirement employee benefits (cont'd)

The following table provides the amounts recognized in the consolidated balance sheets:

	Pension Benefits		Postretirement Benefits	
	2000	1999	**2000**	1999
Accrued benefit liability	**$ (99,576)**	$ (87,654)	**$ (69,222)**	$ (69,462)
Prepaid benefit costs	**29,855**	19,776	**–**	–
Net amount recognized	**$ (69,721)**	$ (67,878)	**$ (69,222)**	$ (69,462)

The unrecognized net transition asset is being amortized over the average expected future service periods of employees.

The following table provides the components of net periodic benefit cost:

	Pension Benefits			Postretirement Benefits		
	2000	1999	1998	**2000**	1999	1998
Service cost	**$ 21,239**	$ 19,891	$ 18,917	**$ 699**	$ 720	$ 612
Interest cost	**45,290**	32,586	26,617	**5,255**	3,300	2,236
Expected return on plan assets	**(53,783)**	(34,710)	(28,215)	**–**	–	–
Amortization of prior service cost	**251**	160	188	**–**	–	–
Amortization of transitional obligation	**(478)**	(323)	(396)	**–**	–	–
Amortization of actuarial (gain) loss	**(1,837)**	424	69	**2**	120	(23)
Curtailment (gain) loss	**–**	1,645	–	**(460)**	–	–
Valuation allowance	**(2,966)**	4,151	2	**–**	–	–
Net periodic cost	**$ 7,716**	$ 23,824	$ 17,182	**$ 5,496**	$ 4,140	$ 2,825

The weighted average assumptions used in the measurement of the Company's benefit obligation are as follows:

	Pension Benefits			Postretirement Benefits		
	2000	1999	1998	**2000**	1999	1998
Discount rate	**7.7%**	7.9%	6.7%	**7.7%**	7.9%	6.7%
Expected return on plan assets	**9.7%**	9.2%	8.5%	**–**	–	–
Rate of compensation increase	**3.7%**	4.4%	3.7%	**–**	–	–

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 8.8% at the end of 2000 and 7.2% at the end of 1999 and is expected to decrease gradually to 5.0% in 2009 and remaining at that level thereafter. A one percentage point change in assumed health care cost trend would have the following effects:

	Other benefits	
Sensitivity analysis	1% increase	1% decrease
Effect on service and interest costs	$ 437	$ (385)
Effect on benefit obligation	4,575	(4,087)

21. Significant differences between generally accepted accounting principles in Canada and the United States

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada, which differ in some respects from those applicable in the United States. The following are the significant differences in accounting principles as they pertain to the consolidated statements.

(a) Reconciliation of net income and earnings per share

The application of GAAP in the United States would have the following effects on net income as reported:

	2000	1999	1998
Net income, as reported in the consolidated statements of income per GAAP in Canada	**$ 295,431**	$ 77,465	$ 159,650
Adjustments, net of applicable income taxes			
Repurchase of convertible senior subordinated notes (i)	**(822)**	–	–
Business process reengineering costs (ii)	**–**	1,044	1,015
	(822)	1,044	1,015
Net income, as adjusted per GAAP in the United States	**$ 294,609**	$ 78,509	$ 160,665
Per share data			
Net income, as reported per GAAP in Canada	**$ 1.94**	$ 0.54	$ 1.29
Effect of adjustments, net of applicable income taxes	**(0.01)**	0.01	0.01
Net income, as adjusted per GAAP in the United States	**$ 1.93**	$ 0.55	$ 1.30

(i) Repurchase of convertible senior subordinated notes

Under GAAP in Canada, the equity portion of the convertible notes is recorded under shareholders' equity as other paid-in capital. Regarding the repurchase of convertible notes, the Company is required to allocate the consideration paid on extinguishment to the liability and equity components of the convertible notes based on their fair values at the date of the transaction. The amount of gain (loss) relating to the liability element is recorded to income and the difference between the carrying amount and the amount considered to be settled relating to the conversion option element is treated as an equity transaction. Under GAAP in the United States, the allocation to equity is not required and the gain (loss) is recorded through income in the period of extinguishment.

(ii) Business process reengineering costs

Under GAAP in Canada, certain costs incurred in connection with a consulting contract or an internal project that combines business process reengineering and information technology transformation have been deferred in the consolidated balance sheets under the items "Other assets" or "Property, plant and equipment" and amortized over periods varying from three to five years. Under GAAP in the United States effective in 1997, these costs should be expensed as incurred.

21. Significant differences between generally accepted accounting principles in Canada and the United States (cont'd)

(a) Reconciliation of net income and earnings per share (cont'd)

(iii) Presentation of restructuring and other charges

United States GAAP requires that restructuring and other charges be included in the determination of operating income and does not permit the disclosure of a subtotal of the amount of operating income before these restructuring and other charges. Canadian GAAP permits the disclosure of a subtotal of the amount of operating income before restructuring and other charges referred to above.

(iv) Presentation of goodwill amortization

Under GAAP in Canada, goodwill amortization is presented, net of related income taxes, and is excluded from the calculation of operating income before net income. Under GAAP in United States, goodwill amortization is included in the computation of operating income and is presented as an operating expense.

(b) Effect on consolidated balance sheets

The application of GAAP in the United States would have the following effects on the consolidated balance sheets, as reported:

	2000		1999	
	Canada	United States	Canada	United States
Convertible notes (i)	**$ 105,936**	**$ 121,785**	$ 179,752	$ 200,583
Other paid-in capital (i)	**15,849**	**–**	20,831	–

(c) Comprehensive income

Moreover, the application of GAAP in the United States requires the disclosure of comprehensive income in a separate financial statement, which includes the net income as well as revenues, charges, gains and losses recorded directly to equity.

	2000	1999	1998
Net income, as adjusted per GAAP in the United States	**$ 294,609**	$ 78,509	$ 160,665
Currency translation adjustment	**(37,082)**	(43,189)	4,484
Comprehensive income as per GAAP in the United States	**$ 257,527**	$ 35,320	$ 165,149

(d) Recent accounting pronouncement

The Company has adopted the Financial Accounting Standards (FAS) No. 133 effective January 1, 2001, and accordingly, the Company will be required to periodically revalue any derivative instruments to fair value and record any resulting gains or losses to current earnings or other comprehensive income, as appropriate.

22. Segment disclosure

The Company operates in the printing industry. Its business units are located in four main segments: the United States, Canada, Europe and Latin America.

These segments are managed separately since they all require specific market strategies. The Company assesses the performance of each segment based on operating income.

Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements. Intersegment sales are made at fair market value, which approximate those prevailing on the markets serviced. Management of financial expenses and income tax expense is centralized and, consequently, these expenses are not allocated among operating groups.

	United States	Canada (1)	Sub-total North America	Europe (2)	Latin America (3)	Other	Inter-segment	Total
Revenues								
2000	**$ 4,475,499**	**$ 1,049,821**	**$ 5,525,320**	**$ 890,439**	**$ 112,000**	**$ –**	**$ (6,682)**	**$ 6,521,077**
1999	2,938,396	972,420	3,910,816	944,914	95,804	–	1,003	4,952,537
1998	2,045,622	922,979	2,968,601	755,362	81,267	4,370	(1,445)	3,808,155
Depreciation and amortization								
2000	**241,611**	**47,419**	**289,030**	**48,830**	**5,557**	**1,662**	**–**	**345,079**
1999	179,492	46,086	225,578	53,036	5,887	1,491	–	285,992
1998	124,083	45,876	169,959	48,816	4,306	708	–	223,789
Operating income before restructuring and other charges								
2000	**518,221**	**109,817**	**628,038**	**61,045**	**6,480**	**29,240**	**–**	**724,803**
1999	289,272	95,463	384,735	68,136	7,580	12,018	–	472,469
1998	145,288	87,561	232,849	65,756	9,681	8,780	–	317,066
Goodwill amortization								
2000	**50,177**	**846**	**51,023**	**9,139**	**400**	**(13)**	**–**	**60,549**
1999	24,067	1,254	25,321	5,929	334	186	–	31,770
1998	8,577	1,975	10,552	6,042	254	187	–	17,035
Additions to property, plant and equipment								
2000	**169,241**	**29,510**	**198,751**	**27,463**	**12,013**	**3,958**	**–**	**242,185**
1999	97,954	45,442	143,396	46,333	4,405	574	–	194,708
1998	243,364	30,217	273,581	21,457	6,830	10,255	–	312,123
Assets								
2000	**4,721,119**	**547,458**	**5,268,577**	**985,365**	**144,613**	**86,105**	**–**	**6,484,660**
1999	5,059,216	563,704	5,622,920	1,094,368	135,296	20,544	–	6,873,128

(1) The Canadian segment includes four business units in the United States and one in India.

(2) The European segment includes business units located in Austria, Finland, France, Spain, Sweden and the United Kingdom.

(3) The Latin American segment includes business units located in Argentina, Brazil, Chile, Colombia, Mexico and Peru.

22. Segment disclosure (cont'd)

The Company carries out international commercial printing operations, and offers to its customers a broad range of printed products and related communication services, such as magazines, retail inserts, catalogs, specialty printing and direct mail, books, pre-media, logistics, and other value-added services, and directories.

Revenues per product are as follows:

	2000		1999		1998	
Magazines	$ 1,817,082	27.9 %	$ 1,463,937	29.6 %	$ 1,108,274	29.1 %
Retail inserts	1,168,050	17.9	1,041,478	21.0	793,356	20.8
Catalogs	1,065,753	16.3	770,522	15.6	589,356	15.5
Specialty printing and direct mail	920,525	14.1	530,709	10.7	380,226	10.0
Books	790,894	12.1	634,399	12.8	503,221	13.2
Pre-media, logistics and other value-added services	405,865	6.3	277,100	5.6	269,488	7.1
Directories	352,908	5.4	234,392	4.7	164,234	4.3
	$ 6,521,077	100.0 %	$ 4,952,537	100.0 %	$ 3,808,155	100.0 %

FIVE YEAR FINANCIAL SUMMARY

(In thousands of US dollars, except per share amounts and other statistics)

	2000	1999	1998	1997	1996
Consolidated Results					
Revenues	**6,521,077**	4,952,537	3,808,155	3,483,199	3,110,292
Operating income before amortization*	**1,069,882**	758,461	540,855	479,062	456,034
Operating income*	**724,803**	472,469	317,066	278,258	270,422
Net income	**295,431**	77,465	159,650	130,984	126,775
Cash provided from operating activities	**917,801**	710,142	413,915	317,250	386,195
Free cash flow from operations**	**747,294**	552,613	124,840	(769)	153,012
Operating margin before amortization*	**16.4 %**	15.3 %	14.2 %	13.8 %	14.7 %
Operating margin*	**11.1 %**	9.5 %	8.3 %	8.0 %	8.7 %
Financial Position					
Working capital	**(66,535)**	72,534	248,332	223,598	204,609
Property, plant and equipment	**2,682,983**	2,895,307	2,221,964	2,072,928	1,745,166
Total assets	**6,484,660**	6,873,128	3,906,281	3,542,692	2,979,692
Long-term debt (including convertible notes)	**2,208,702**	2,839,923	1,250,200	1,025,309	894,449
First Preferred Shares	**212,482**	212,482	212,482	212,482	–
Equity Multiple and Subordinate Voting Shares	**1,418,759**	1,441,364	685,656	683,519	683,023
Debt-to-Capitalization	**47:53**	55:45	44:56	42:58	43:57
Per Share Data					
Cash Earnings***	**2.34**	1.80	1.44	1.22	1.18
Net income	**1.94**	0.54	1.29	1.12	1.10
Dividends	**0.33**	0.28	0.24	0.22	0.20
Book value	**15.47**	14.26	11.67	10.58	9.98
Market price - TSE close	**37.60**	32.25	33.18	24.10	23.84
Market price - NYSE close	**25.19**	21.94	21.15	16.54	16.65
Other statistics					
Capital expenditures (in thousands of US dollars)	**242,185**	194,708	312,123	316,743	236,935
Average number of employees	**43,000**	40,000	28,000	27,000	25,000
Return on capital employed	**19.5 %**	19.0 %	18.5 %	18.7 %	19.3 %

* Before restructuring and other charges.

** Cash provided from operating activities, less capital expenditures net of proceeds from disposals, and preferred share dividends.

*** Earnings per share before goodwill amortization and restructuring and other charges.

SELECTED QUARTERLY FINANCIAL DATA

(In thousands of US dollars, except per share amounts)

	2000					1999	
	First	Second	Third	Fourth	Year	First	Second
Consolidated Results							
Revenues	$ 1,630,439	$ 1,549,052	$ 1,633,766	$ 1,707,820	$ 6,521,077	$ 910,515	$ 944,323
Operating income before amortization*	231,656	255,970	286,670	295,586	1,069,882	113,848	145,144
Operating income*	138,246	167,692	202,344	216,521	724,803	56,524	85,742
Net income	37,610	62,772	88,699	106,350	295,431	23,185	45,264
Cash provided from operating activities	72,579	216,900	17,523	610,799	917,801	69,033	164,390
Free cash flow from operations**	42,878	163,000	76	541,340	747,294	38,067	125,606
Operating margin before amortization *	14.2 %	16.5 %	17.5 %	17.3 %	16.4 %	12.5 %	15.4 %
Operating margin*	8.5 %	10.8 %	12.4 %	12.7 %	11.1 %	6.2 %	9.1 %
Segmented Information							
Revenues							
United States	$ 1,132,082	$ 1,044,541	$ 1,148,247	$ 1,150,629	$ 4,475,499	$ 466,289	$ 459,111
Canada	247,466	260,834	252,289	289,232	1,049,821	220,538	243,618
Europe	227,344	217,831	208,940	236,324	890,439	203,081	219,254
Latin America	25,459	26,277	26,684	33,580	112,000	21,621	22,832
Operating income before restructuring and other charges							
United States	99,550	116,286	148,534	153,851	518,221	23,986	39,382
Canada	20,056	29,126	27,389	33,246	109,817	16,529	27,054
Europe	13,425	14,861	13,935	18,824	61,045	11,534	15,963
Latin America	1,701	1,242	665	2,872	6,480	2,899	1,518
Operating margins before restructuring and other charges							
United States	8.8 %	11.1 %	12.9 %	13.4 %	11.6 %	5.1 %	8.6 %
Canada	8.1 %	11.2 %	10.9 %	11.5 %	10.5 %	7.5 %	11.1 %
Europe	5.9 %	6.8 %	6.7 %	8.0 %	6.9 %	5.7 %	7.3 %
Latin America	6.7 %	4.7 %	2.5 %	8.6 %	5.8 %	13.4 %	6.6 %
Per Share Data							
Cash earnings***	$ 0.35	$ 0.51	$ 0.70	$ 0.78	$ 2.34	$ 0.21	$ 0.41
Net income	$ 0.24	$ 0.41	$ 0.58	$ 0.71	$ 1.94	$ 0.18	$ 0.36
Dividends	$ 0.07	$ 0.08	$ 0.08	$ 0.10	$ 0.33	$ 0.07	$ 0.07

* Before restructuring and other charges.

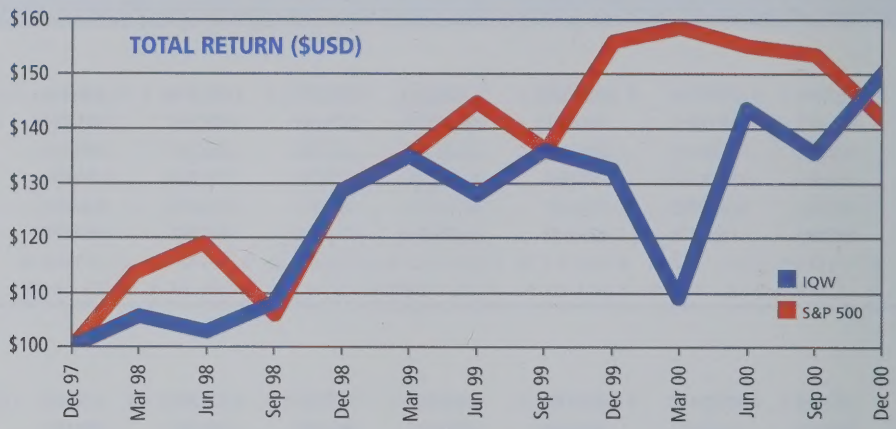
** Cash provided from operating activities, less capital expenditures net of proceeds from disposals, and preferred share dividends.

*** Earnings per share before goodwill amortization and restructuring and other charges.

1999			1998				
Third	Fourth	Year	First	Second	Third	Fourth	Year
$ 1,257,143	$ 1,840,556	$ 4,952,537	$ 881,879	$ 890,171	$ 957,174	$ 1,078,931	$ 3,808,155
199,412	300,057	758,461	103,129	128,747	147,520	161,459	540,855
126,828	203,375	472,469	50,114	74,126	90,423	102,403	317,066
54,659	(45,643)	77,465	21,232	38,315	46,454	53,649	159,650
202,910	273,809	710,142	46,911	104,024	94,156	168,824	413,915
180,184	208,756	552,613	(51,613)	44,806	21,975	109,672	124,840
15.9 %	16.3 %	15.3 %	11.7 %	14.5 %	15.4 %	15.0 %	14.2 %
10.1 %	11.0 %	9.5 %	5.7 %	8.3 %	9.4 %	9.5 %	8.3 %
$ 769,587	$ 1,243,409	$ 2,938,396	$ 498,666	$ 478,857	$ 519,687	$ 548,412	$ 2,045,622
228,570	279,694	972,420	223,319	237,172	216,484	246,004	922,979
237,991	284,588	944,914	143,228	152,601	205,430	254,103	755,362
21,754	29,597	95,804	15,543	19,939	15,307	30,478	81,267
87,379	138,525	289,272	25,568	35,785	52,065	31,870	145,288
23,933	27,947	95,463	14,210	23,202	16,977	33,172	87,561
14,679	25,960	68,136	7,222	11,611	21,004	25,919	65,756
739	2,424	7,580	1,511	2,183	1,117	4,870	9,681
11.4 %	11.1 %	9.8 %	5.1 %	7.5 %	10.0 %	5.7 %	7.1 %
10.5 %	10.0 %	9.8 %	6.4 %	9.8 %	7.8 %	13.5 %	9.5 %
6.2 %	9.1 %	7.2 %	5.0 %	7.6 %	10.2 %	10.2 %	8.7 %
3.4 %	8.2 %	7.9 %	9.7 %	10.9 %	7.3 %	16.0 %	11.9 %
$ 0.49	$ 0.69	$ 1.80	$ 0.19	$ 0.33	$ 0.43	$ 0.49	$ 1.44
$ 0.43	$ (0.43)	$ 0.54	$ 0.16	$ 0.31	$ 0.38	$ 0.44	$ 1.29
$ 0.07	$ 0.07	$ 0.28	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.24

Quebecor World

Shareholder Information



Toronto Stock Exchange (in CDN dollars)

	2000		1999	
	High	Low	High	Low
Q1	$34.20	$25.60	$35.20	$31.50
Q2	$37.55	$26.60	$36.45	$31.85
Q3	$39.10	$32.90	$36.70	$31.85
Q4	$38.20	$32.50	$35.00	$31.40
Year	$39.10	$25.60	$36.70	$31.40

New York Stock Exchange (in US dollars)

	2000		1999	
	High	Low	High	Low
Q1	$23.50	$17.56	$23.13	$20.81
Q2	$25.44	$18.50	$24.81	$21.69
Q3	$26.25	$22.31	$24.38	$21.63
Q4	$25.19	$21.38	$23.75	$21.63
Year	$26.25	$17.56	$24.81	$20.81

Stock Listing
Quebecor World Inc. Subordinate Voting Shares are listed on the New York Stock Exchange and on the Toronto Stock Exchange under the symbol IQW.

Annual Meeting
The Annual Meeting of Shareholders will be held at: 10:00 am on April 4th,2001 at:
Le Windsor,
1170 Peel Street,
Montreal, Quebec

Annual Information Form
The Annual Information Form may be obtained by writing to:
Corporate Secretary
Quebecor World Inc.
612 St. Jacques Street
Montreal, Quebec
H3C 4M8

Transfer Agent & Registrar
Montreal Trust Company
Place Montreal Trust
1800 McGill College
Montreal, Quebec
H3A 3K9

Co-Transfer Agents
American Securities Transfer & Trust Inc.
Denver, Colorado

Auditors
KPMG LLP

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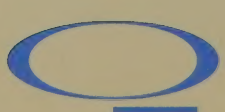
Quebecor World Inc.
612, rue Saint-Jacques
Montréal (Québec)
H3C 4M8



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